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NOMINATION OF DR. CLAYTON K. YEUTTER

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

NOMINATION OF DR. CLAYTON K. YEUTTER
TO BE U.S. TRADE REPRESENTATIVE

JUNE 25, 1985

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NOMINATION OF DR. CLAYTON K. YEUTTER TO BE U.S. TRADE REPRESENTATIVE

TUESDAY, JUNE 25, 1985

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to notice, at 3:18 p.m., in room SD-215, Dirksen Senate Office Building, Hon. John H. Danforth presiding.

Present: Senators Dole, Danforth, Chafee, Heinz, Symms, Grassley, Bentsen, Matsunaga, Moynihan, Baucus, Bradley, Mitchell, and Pryor.

Also present: Mr. Leonard Santos, Trade Counsel.

[The press release announcing the hearing and the prepared statements of Senators Dole and Symms follow:]

[Press Release No. 85-044]

PRESS RELEASE—COMMITTEE ON FINANCE SETS YEUTTER NOMINATION HEARING FOR JUNE 25

Senator Bob Packwood (R-Oregon), Chairman of the Senate Committee on Finance, announced today the scheduling of a hearing to consider the nomination of Dr. Clayton Yeutter as the new United States Trade Representative.

The hearing before the full Committee is to begin at 3:15 p.m., Tuesday, June 25, 1985.

The hearing is set for Room SD-215 of the Senate Dirksen Office Building.

Dr. Yeutter, who is a resident of Chicago, was nominated by President Ronald W. Reagan to succeed William Brock as USTR when Brock was named Secretary of Labor earlier this year.

Yeutter was president and chief executive officer of the Chicago Mercantile Exchange.

STATEMENT BY THE MAJORITY LEADER ROBERT DOLE

I would like to add my wholehearted endorsement of Dr. Yeutter's nomination as the U.S. Trade Representative to that of the chairman of this committee and others present today. I commend the President on an excellent choice to follow the outstanding example of now-Labor Secretary Bill Brock.

I have been acquainted with Dr. Yeutter since his years in the Nixon and Ford administrations, where he served as a Deputy Special Trade Representative and as Assistant Secretary of Agriculture for International Affairs and Commodity Programs. In recent years, he has demonstrated innovative leadership in the commodity futures industry as president of the Chicago Mercantile Exchange. Combined with his background as a farmer/rancher in Nebraska, these credentials make him well-qualified to take up the responsibilities of chief U.S. trade negotiator.

I would only add that, in my twenty-four years in Washington, I do not recall a more difficult climate for trade, either here in Washington or in the Nation. Our merchandise trade deficit ballooned to $123 billion in 1984, and could rise to $150 billion this year. The U.S. crossed the threshold in the past several months to join most of the developing world as a debtor nation. For the first time since 1914, our

annual payments to foreigners exceed our receipts. Moreover, most analysts expect the red ink to become a flood before our economic fortunes change.

On a bilateral basis, tension in trade relations with the other OECD nations, particularly Japan and the European Community, is increasing. Continuing failure to resolve the pressing issues of access to the Japanese market for American products, or of the indiscriminate use of subsidies in expanding agricultural exports, is threatening to polarize attitudes regarding the usefulness of existing trade agreements. On a sectoral level, legislation is piling up to provide import-relief to a host of domestic U.S. industries, including textiles and apparel, footwear and lumber.

At the same time, the administration is attempting to overcome the reservations of our trading partners on initiating a new round of multilateral negotiations under the General Agreement on Tariffs and Trade [GATT]. This effort to shore up the faltering framework of GATT is being undercut by French refusal to accept a general prohibition of agricultural export subsidies and by rejection of adding services as a new sector under GATT by some 23 developing nations.

So I would just say that Dr. Yeutter and his team have their work cut out for them. No one—neither the United States, nor its trading partners—wants a trade war. And yet, unless some way is found to correct the massive and growing economic imbalance in the international marketplace, a point may soon be reached where economic arguments are replaced by political imperatives.

I, for one, do not want to see this happen. And I will continue to work with the administration, with others in Congress, and with our trading partners to find solutions to these serious problems.

I again commend the President on his selection of Dr. Yeutter, and am confident of his speedy confirmation when his nomination reaches the Senate floor.

STATEMENT OF SENATOR CHARLES E. GRASSLEY

Mr. Chairman: The current foreign trade situation is a matter of great personal concern to me.

The world is an International trading community, with countries relying upon one another for markets and products. However, massive trade surpluses and deficits, such as the United States now faces, seem to jeopardize the system which benefits so many.

With the strength of the U.S. economy as well as the strength of the U.S. dollar, we have seen massive capital inflow into this country. In some respects, this capital inflow has helped to temper our own Federal deficit. Yet, at the same time, it has aggravated other segments of our economy. We have seen our foreign trading partners benefitting not only on their capital investments, but also from the strength of the dollar by making their goods much more price competitive. The result has been a large influx of imported goods into the U.S. and the crowding out of U.S. exports.

It is my desire to see this country develop a trade policy that takes a strong stand not only on enforcing our trade laws that are presently in place, but that establishes and enforces new regulations to offset the unfair trade practices that are impeding the exporting of American-made goods to foreign countries.

Time has come for those of us in Congress as well as our trade negotiators to begin to take bold new stands against unfair trade competition. Today we have an opportunity as we begin this confirmation process to not only question a new United States Trade Representative on his views relative to trade, but also to instruct him on what we would expect of him in dealing with our trading partners.

It might appear on one hand that having a new USTR, a new Under Secretary for International Trade at Commerce and a future new Deputy USTR could cause further erosion in our trade negotiations. But in fact, it is an opportunity to establish sound new trade policies for this country.

To do less at this time, in my opinion, would be neglecting the responsibility that these individuals will have to not only provide an avenue for Commerce to move freely among nations, but also at the same time to reduce our massive trade deficits.

At the same time, we here in the Congress must be doing our part to reduce the burgeoning Federal deficit to assist them in the task that lies ahead. With Congress, Government officials, and members of business, labor, agriculture and academia putting their heads together, we can establish a cohesive new trade policy for this country. It is my opinion that this approach can successfully bring about a reduction in Federal budget and trade deficits to insure full employment and a strong economy for years to come.

Thank you, Mr. Chairman.

Senator DANFORTH. Well, we are happy to have at long last the confirmation hearing for Clayton Yeutter to be the new U.S. Trade Representative. And I'm especially delighted that we have an illustrious group of Senators who want to be identified with you, Clayton—Senators Zorinsky, Exon, Dixon, and Simon.

Dr. YEUTTER. They just indicated, Senator Danforth, that they did want to be identified with me, but they weren't sure they wanted to vote for me. [Laughter.]

Senator DANFORTH. Well, we may or may not give them that chance. [Laughter.]

Senator Zorinsky, would you like to begin?

STATEMENT OF HON. EDWARD ZORINSKY, U.S. SENATOR, STATE OF NEBRASKA

Senator ZORINSKY. Thank you, Mr. Chairman. And I truly appreciate this not going in alphabetical order. [Laughter.]

Mr. Chairman, I come here today to support my good friend, Clayton Yeutter. We go back many, many years. We have more than just a relationship in government on behalf of the best interest of the United States of America. We go back as people to people, person to person, friends. He's an individual that's a very hard worker. I'm sure you will find that he does his homework. He has his work cut out for him in a dog-eat-dog world of the international marketplace. I had lunch today with a member of the European Economic Community, who Clayton must have talked to yesterday, and he indicated a little abrasiveness as to Clayton's attitude toward today's international arena. I think this is good news for our country, because I think it's time that we made our voice known loud and clear in recapturing the international marketplace out there.

And I certainly support Clayton. He has the experience. He has the talent. He has the ability. And certainly I think he has the potential to do those things that need to be done as the President's trade representative in negotiating a better trade relationship with the rest of the world.

And I hope that my colleagues will support him in his nomination.

Senator DANFORTH. Thank you.

STATEMENT OF HON. J. JAMES EXON, U.S. SENATOR, STATE OF NEBRASKA

Senator DANFORTH. Senator Exon.

Senator EXON. Mr. Chairman, members of the Finance Committee, thank you very much for allowing me to come here.

I'm delighted to be here to introduce a long-time friend and great Nebraskan, Clayton Yeutter. I have known Clayton before either one of us were ever involved in politics, way back when he was a professor of economics at the agriculture school of the University of Nebraska; one of the few people that went there that did not play football. That's how good he was. [Laughter.]

Clayton and I knew each other then before I became active in the Democratic Party and before he became a very distinguished

member of former Governor Tiemann's administration as the executive assistant secretary to the Governor.

And despite the fact that we come from different sides of the political fence, we have been very close friends all that time.

I would simply point out that he has a lot of background in agriculture. My colleague, Senator Zorinsky, has pointed that out, and I'm delighted to associate myself with the remark that Senator Zorinsky just made. He's a tough bargainer and yet he's a fair bargainer and I think that's what we need in international trade.

Not only does he have a successful background in agriculture, but he is a dirt farmer. That's how he started out. That's where his roots are, and that's why I think we are so happy to be here to encourage your support of him today.

In fact, he was a struggling dirt farmer until he married a young girl from Lincoln, NE, by the name of Jean who was a Democrat and taught him everything he knew. [Laughter.]

In this time when international trade issues dominate the Nation's economic agenda, I can think of no better candidate to fill the job of the U.S. Trade Representative than Clayton Yeutter. Rural America needs a strong spokesman in international trade. Increased foreign markets lie at the heart of the solution to the problems of rural America. Recent years of high interest rates and the overvalued dollar, and political interruptions in agricultural trade have seriously hurt the American agricultural position in the world marketplace.

Perhaps no one has a better background in agriculture and its role in world economics than Clayton Yeutter. The swift confirmation of Clayton Yeutter will ensure that the needs of agriculture receive appropriate attention in international trade.

As professor of agriculture economics at the University of Nebraska at Lincoln, as executive assistant to Governor Tiemann, as an Assistant Secretary of Agriculture and as a Deputy Special Trade Representative, Clayton has enjoyed a sterling record of public service.

As a fellow Nebraskan, I'm proud of Clayton's many accomplishments. He has my complete confidence. Clayton Yeutter will be an extraordinary U.S. Trade Representative.

Thank you, Mr. Chairman.

Senator DANFORTH. Thank you, Senator Exon.

STATEMENT OF HON. ALAN DIXON, U.S. SENATOR, STATE OF ILLINOIS

Senator DANFORTH. Senator Dixon.

Senator DIXON. Mr. Chairman, and members of the committee, in the interest of time, I'm going to place my statement in the record. But let me say that I'm delighted to enthusiastically support my warm friend, Clayton Yeutter, for this outstanding position.

While there are some at this table who will contend earnestly that he is a Nebraskan, Senator Simon and I, of course, know that he is a Nebraskan only by birth. He is an Illinoisan in every particular. He has been president and chief executive officer of the Chicago Mercantile Exchange since 1978. And while it may be un-

usual to have four Democrats so warmly endorse a man who is not one who shares our faith, may I say to you that he is an outstanding man, a tough man, a smart man, who will do an exceptional job in this position.

As a member of the Agriculture Committee since coming to the Senate, I have called upon him repeatedly for advice. I find him to be a genuinely well-informed man in matters of agriculture, and there is no one I feel more comfortable with in an important position in this government. I'm delighted to lend my support to his candidacy here today. And I am enthused about the fact that this administration has picked such an exceptional person for this important post.

Senator DANFORTH. Thank you.

[The prepared written statement of Senator Dixon follows:]

STATEMENT OF SENATOR ALAN DIXON ON NOMINATION OF DR. CLAYTON YEUTTER AS U.S. TRADE REPRESENTATIVE

Mr. Chairman, I am extremely pleased to be here this afternoon to introduce a distinguished Illinoisan, Clayton Yeutter, to the committee. I recognize that Clayton is a Nebraskan by birth, and that he still maintains extensive farming operations in that State. However, he has lived in the Chicago metropolitan area for the past several years, and in my book, that makes him an Illinoisan.

Clayton Yeutter has had a long and distinguished career. He has been president and chief executive officer of the Chicago Mercantile Exchange since 1978. He has served as an Assistant Secretary of Agriculture with responsibility over a variety of program areas, including international affairs. His governmental service also includes a stint as deputy Special Trade Representative during the Ford administration.

His educational background is equally impressive. He holds both a law degree and a Ph.D. in agricultural economics.

Much more important than his credentials, however, is the kind of man he is. He is extremely able, intelligent, and displays the kind of sound judgment and creative thinking that we need in government.

Clayton Yeutter is not of my political faith, but that does not diminish my respect for him and for his abilities. I've known him for a number of years now, and I've come to value his advice and counsel.

The challenges Clayton will face as United States Trade Representative are formidable. I know I don't have to tell anyone here about the size of the trade problems facing the United States.

I have every confidence, however, that he is up to the challenge. In fact, I can't think of anyone who is better able to step into the job that Bill Brock handled so effectively. Clayton Yeutter understands the international economy, he understands the trade barriers U.S. firms are facing as they seek to do business overseas, he understands the problems caused by unfair import practices, and he knows how to use the political process to move toward solutions.

While I am aware of the difficulties he will face in his new assignment, I'd like to take this opportunity to tell him and the committee that I expect great things of him. He is dedicated to public service; he will certainly justify the trust the Senate would place in him by confirming his nomination. I hope the committee will favorably report his nomination to the floor quickly. I look forward to the opportunity to vote for his confirmation.

STATEMENT OF HON. PAUL SIMON, U.S. SENATOR, STATE OF ILLINOIS

Senator DANFORTH. Senator Simon.

Senator SIMON. I simply join my colleagues.

There are times when you come here, when you go through formalities when you have someone nominated from your State where you have to appear with them. This is an occasion when we appear with enthusiasm, genuine enthusiasm.

I note that all three of my colleagues used one word in describing Clay Yeutter, and that is "tough." I think that is an apt description of him. He brings an ability of toughness, of fairness that we need.

And it is a toughness that is needed, if I may speak candidly, not only with Japan, West Germany, and Sweden, it is a toughness that is needed within the administration; it is a toughness that is needed in dealing with the House and the Senate. Just to use one illustration, the recent economic summit meeting the President attended did not have a senior trade expert as part of the U.S. delegation.

International trade has to come to the floor. Our colleague, Lloyd Bentsen, has been talking about that for some time now. Mr. Chairman, you have been doing that. Jack Danforth has been leading the fight in this.

Clayton Yeutter is one who is going to see that international trade is not a back-burner item. And it can no longer be a back-burner item if we are going to do what we need to do in this country.

So I am very pleased to join my colleagues in enthusiastically coming here to say the President has made a superb appointment.

Senator DANFORTH. Gentlemen, thank you very much for your——

Senator EXON. Mr. Chairman, let me add one comment, if I might. If it is indeed true that Clayton Yeutter is a resident of Illinois, the two Senators from Nebraska might have to withhold their enthusiastic endorsement. I would simply point out—[laughter]—I would simply point out to my two colleagues from Illinois and Chicago that he votes in Nebraska. He may also vote in Chicago. [Laughter.]

Senator DIXON. That's permitted sometimes where we come from.

Senator EXON. You might get by with that from time to time. But we claim and know he's a Nebraskan.

Thank you.

Senator DANFORTH. We are very impressed with the strong support from Democratic Senators for Clayton Yeutter and wonder if he would be willing to share some of you with Brad Reynolds. [Laughter.]

Do any Senators have any opening statements?

Senator BENTSEN. Yes, Mr. Chairman, I do.

Mr. Chairman, it's certainly obvious that Dr. Yeutter is well qualified for the job. With his job as Deputy U.S. Trade Representative and again working in the Department of Agriculture and then being president of the Chicago Mercantile Exchange. And in that exchange, of course, they have a subsidiary there that deals very much in the problem of currency, contracts, that type of thing.

It's terribly important today when you have got a $30 trillion currency market that dwarfs the $2 trillion that we have in trade in goods. But despite all those qualifications that this man has, I've serious concern as to whether or not he is going to be able to get the administration to listen to him. And, particularly, whether or not he is going to be able to get the President to listen.

As my friend Senator Simon was talking about the President going to Bonn and not taking one senior trade adviser along with him. Now that's wrong. It just shouldn't be that way.

And this particular office that you are now going to occupy was created by this committee. We feel very strongly about it. Someone has to be in charge of trade. And we have to have a coordinated trade policy to try to turn this around.

And I would say, Dr. Yeutter, if you can get the President to listen to you, and have an active role in that, you will have served this Nation well.

I would also say to you, as I listened to my colleagues there, that today probably represents the high point in the unity that you will have in the job you are about to undertake. [Laughter.]

Thank you very much.

Senator DANFORTH. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Dr. Yeutter, I want to underscore the basic question that you are hearing today. Namely, how you are going to address the decline of the U.S. trading position?

I think you're going to have the toughest job in Washington.

Because of the decline of our competitive position, virtually every major industry in America is suffering dramatically from lost jobs, and lost market share. Virtually every major industry in America is going down the drain because we are not competing the way we should.

The problem is exacerbated because we are on a razor's edge. We either fall off one side and lose our competitive position in the world, or we fall off the other side and do something protectionist that pushes us into another Smoot-Hawley era.

Falling off either side would be disastrous. So your job is to try to get us off that razor's edge. It will be a very difficult job to perform.

Second, you've got to convince the administration. It's clear that the United States today has no trade policy. Every other country does; not only the industrialized countries, such as Japan and the European Community, but developing countries, too. They aggressively use trade as an arm of economic development

We don't do that in America. As a consequence, we are getting taken to the cleaners.

For example, not only did the President not take a trade representative with him to the economic summit in Bonn; but wherever you look, whatever meeting you attend, you continue to see the lack of any administration concern about the trade problem.

This morning, for example, about 50 House and Senate Members met with Secretary Baldrige, acting USTR Smith, and a representative from the White House to complain about the surge of Canadian lumber imports into the United States. I think that if you ask anyone who attended that meeting—particularly the Republicans—you will find that they were aghast at the lack of administration concern about the problem.

There are sawmill workers losing their jobs. There are lumber companies going down the tubes. Yet the administration displayed no concern whatsoever.

For another example, in the President's State of the Union Address, he devoted only two sentences to trade near the end. And what did he say? Practically nothing.

And, third, you've got a tough job ahead of you because you've got a great reputation. It's going to be very difficult for you to live up to that reputation. You are heralded as being tough and all of us here on the committee expect you to live up to that.

You bring some great credentials with you. Certainly, the indication of support from two different States that both claim you indicates that as a public servant you will do well.

We want to work with you and develop the kind of cooperation that is necessary if we are going to solve this problem and improve our declining competitive position. We can't wait. It's got to be solved right now.

Senator DANFORTH. Senator Symms.

Senator SYMMS. Mr. Chairman, I will submit my entire statement to the record. But I just want to welcome Dr. Yeutter here. And I echo many of the thoughts that Senator Baucus just had. This is going to be a very tough job, but I think that you are the right man for the job. And I think that you will have a lot of support from a lot of us to try to see that we can get the playing field a little leveler for our producers because the people in this country that are producing new wells are having a very difficult time and they are not enjoying the economic recovery.

And I'll submit the remaining part of my statement for the record. But I think that the President has made a very, very wise choice.

And I've known Clay Yeutter since I was on the Ag Committee on the House side, and I have had nothing but admiration and respect for his very wide-ranging abilities.

Senator DANFORTH. Senator Grassley.

Senator GRASSLEY. Dr. Yeutter, I, too, welcome your nomination. I look at it as part of a new team. You, your deputy, and the Under Secretary of Commerce for International Trade. There's an opportunity here to establish a sound, new trade policy for this country.

And as a result of this new team, it's my desire to see this country to develop trade policy that takes a strong stand not only on enforcing our trade laws, those that are presently in place, but that it establishes and enforces new regulations to offset the unfair trade practices that are impeding the exporting of American-made goods to foreign countries. And that challenge, I think, will demand the toughness that you have a reputation for, a well-earned reputation for.

Senator DANFORTH. Any further comments? Senator Chafee.

Senator CHAFEE. Mr. Chairman, I just want to say I have known Clay Yeutter for 6 or 7 years now and share the high respect that everyone here has for him. Dr. Yeutter, I read in you biography that you were among the first businessmen—American businessmen—invited to China under the Chinese Government's program to improve trade relationships with the United States.

Furthermore, you have been on the board of directors of the Japan-American Society which may help equip you for this job. Also, the fact that you were a "Master Builder of Men," the high-

est honor granted to an alumnus of your university, might also stand you in good stead.

We wish you well in this new endeavor. I think the President is very fortunate to gain your services. The best of luck.

Dr. YEUTTER. Thank you.

Senator DANFORTH. Senator Heinz.

Senator HEINZ. Mr. Chairman, first, I want to welcome Dr. Yeutter before our committee. I fully expect that, unless he slips up on some of the answers to the questions he will get asked, he will be confirmed.

And as I suspect Lloyd Bentsen and others indicated to you, Clayton, there is considerable concern about the lack of a trade policy in this country. That's not a new concern. We are not being critical just of the Reagan administration. I think no President in my memory, with the possible exception of Jerry Ford, had any kind of a trade policy.

I believe that we are spectators in the international trading game. The score in that game in the last calendar year was $123 billion to nothing. In this calendar year, there is every indication that a new record score is going to be set somewhere around $150 to $160 billion to nothing.

That's why I say that this country is a spectator. We don't seem to have any game plan. We don't seem to have any manager. And sometimes I wonder if we even have a team. What I see out there is the opposition scoring run after run. I see them stealing around the bases. And what I see them doing right now is tearing off homeplate and all our industries along with it.

And now I would like to see us field a team. I would like to see us get a game plan. I'd like to see us go out there and score some runs.

Right now, we are just on the sidelines. I don't know whether we are cheering or booing. We certainly boo the Japanese. But in terms of trying to score some runs on the Japanese, I haven't even seen that even though we certainly know how to give them at least a Bronx cheer from time to time.

I would hope that as your highest priority you can field the team, bring it some cohesion, and start playing some offense because playing defense isn't working. Playing defense, people score on us all the time, and it's about time that we really played in this game.

And I hope that you will not only bring that leadership, but that you will recognize one other major problem, which is this: I suspect the reason that it's so tough to manage or create a U.S. international trading policy is that it's not that we don't have any managers; it's that we have got too many. There are too many other departments that put, as my friend Max Baucus has said, politics, political interests of the United States, ahead of the economic interests of the United States.

And as long as the State Department's interest precedes our economic interests, as long as the Defense Department's interest precedes our economic interests, as long as the Treasury Department and finance minister's interests take precedence over our economic and trading interests, I suspect we will continue to have the same

very poor, utterly disappointing record in the international trading game that the score indicates we have today.

So bon voyage. [Laughter.]

This is your high point.

Senator DANFORTH. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I hadn't meant to speak but lest silence be misconstrued, I will. Dr. Yeutter and I served together in government and we have been friends from a long way back.

I do not want to introduce any record of discord, but it is simply not the case that the United States does not have a trade policy. We have had, for the longest while, what was one of the most imaginative, boldest, and most successful trade policies in the world. The Reciprocal Trade Agreements Program that began under Cordell Hull in the 1930's led to the General Agreement on Tariffs and Trade of 1947, an effort that did not succeed fully, owing to this committee which failed to establish an international trade organization that President Roosevelt had proposed and President Truman had endorsed.

And as you said just a few moments ago, the result of that program was to turn the United States from basically an internal economy to the world's largest trading station, and an enormously successful one.

As you said, sir, in 1960, the combined annual export-import trade—the United States was $35 million and it grew in a quarter of a century times. That is an immense success.

Part of that success was due to President Kennedy's Trade Expansion Act of 1962. The mechanisms of the Government—not much changed today from then—were quite capable of bringing extraordinary increases in trade.

Our trade deficits appeared very mildly in the 1970's and they were associated almost entirely with the quintupling of the price of oil over a period of about 6 years.

The appearance of an actual sustained-trade deficit that does not apply to the change in the price of a particular commodity has taken place in the 1980's under this administration.

There are problems, but they are not exclusively to be associated with the bad behavior of other nations. It's the conduct of this Nation and its management of its affairs that are principally involved in this matter, and we will not resolve them by blaming others.

I don't think that's your tendency. I knew you for a long while in the Department of Agriculture when agriculture was first appearing as a major source of export revenue. You weren't blaming anybody. You were just selling grain abroad.

And try to start up again, will you, sir?

Dr. YEUTTER. Thank you.

Senator DANFORTH. Any other comments by members?

Senator Dole and then Senator Bradley.

Senator DOLE. I have a statement which I will put in the record. And I am in strong support of this nomination.

And, again, I'm sorry I missed other statements. But I would want to indicate that we have got some real problems. I assume you know that and you took the job any way. Is that correct?

Dr. YEUTTER. Yes, sir. [Laughter.]

I'm a born masochist, Senator.

Senator DOLE. A lot of them are out in our part of the country in the Midwest in the so-called Farm Belt. And I don't say that there is a revolution happening out there, but they are not getting any better and there are all kinds of reasons, and they cannot all be put at anyone's doorstep, but they are cumulative.

We all meet with people from around the world. And, in fact, I met with some people from the EC this morning, and listened to all their problems. And you walk away with tears in your eyes because they have problems too. But they don't vote over here. [Laughter.]

And that's sort of what is the bottom line even on this committee. I mean I feel—at least I think I sense—a strong, if not protectionist, at least on the verge of that kind of an attitude. Pretty much across the board, but also specifically in agriculture.

And we are spending a lot of money. The problem with farmers saying they lag in the price. I'm not certain what you can do about that. But, obviously, a very aggressive trade policy would be helpful. And we are not certain we've had one of those.

So we really—with your experience outside and inside the Government, we really are going to need some solid support in some of the efforts we are going to make on a bipartisan basis, I hope, to start moving some of these products. We can't subsidize farmers heavily enough to make up for their lost income. And we need to do it through a market structure of some kind.

Dr. YEUTTER. Yes; thanks for coming over, Senator Dole.

Senator DANFORTH. Senator Bradley.

Senator BRADLEY. Thank you, Mr. Chairman.

Let me welcome you to the committee, and let me say that I think you have some pretty big shoes to fill. I think Bill Brock did an outstanding job of consulting the Congress and also of providing leadership internationally at a very difficult time.

I think you have a fine staff at the USTR. Bill Brock's work of consulting internationally on an informal basis with other trade ministers was an extremely productive exercise.

As you can tell from the comments of members of this committee, the trade deficit has registered. We hear about it wherever we go. It will have political repercussions. You have only limited authority, however. I hope that you don't make the mistake of promoting any action or advice you make in isolation, because unless you have cooperation from the monetary authorities, unless you have a change of position on the part of the Treasury and the Federal Reserve about the ability or even the inclination to intervene in exchange markets to get the dollar down, all the export promotion you can do will not be successful.

And, finally, let me hope that you will call upon the former USTR, Bill Brock, in recognizing that if a trade policy is going to mean anything, there has to be a very large adjustment policy as well if we are going to give any kind of meaning to comparative advantage. Because the reason every member of this committee has been vociferous, with even the majority leader saying there is a protectionist trend abroad in the land, is because people are losing their jobs and farmers are not able to sell their goods.

That means that we requires a labor policy and a monetary policy and an exchange rate policy in addition to trade policy responses like a separate department of trade or bashing the Japanese or whatever else is a convenient reaction to the deficit.

So I think you have got a big, big and important job.

Senator DANFORTH. Senator Mitchell.

Senator MITCHELL. Thank you, Mr. Chairman.

Dr. Yeutter, I join the other members of the committee in welcoming you. As I am sure you are aware, we on this committee and throughout the Congress have been eagerly awaiting the selection of a new U.S. Trade Representative. There is a widespread feeling in this country, vigorously expressed a few moments ago by both Senators Heinz and Moynihan, that this Nation's trade policy is adrift and no coordinated strategy exists to actively deal with this Nation's deteriorating trade position.

We are looking to you for leadership in the trade area.

Years of concern about America's international competitive position have of late turned to alarm at the rapid deterioration of our trade situation.

Since 1981, our merchandise trade deficits have almost doubled from year to year. And important segments of our domestic economy, from agriculture to mining, to manufacturing, are crumbling in the face of this tidal wave of imports.

We cannot accept the view that this is merely a cyclical phenomena that will correct itself when the dollar returns to equilibrium. By then, key sectors of the American economy will have been lost, possibly forever.

Action is needed to respond aggressively to the unfair trading practices of other nations. Action is needed to enforce existing multilateral agreements covering trade and textiles and apparel. Action is needed to exercise our rights under the General Agreement on Trade and Tariffs to prevent the demise of domestic industries like the footwear industry against the flood of imports.

It is my hope—I'm sure it's the desire of other members of this committee—that you, as the next trade representative—will provide the leadership and the vision to help Congress and the administration to address this very serious problem.

I welcome you. I look forward to working with you. And I most sincerely wish you the very best of luck in what is an important and very tough job.

Senator DANFORTH. Mr. Yeutter, thank you very much for being here. Do you have any initial statement?

Dr. YEUTTER. Yes, Mr. Chairman. Thank you very much. Thanks to all of you for your individual comments. I appreciate them.

STATEMENT OF DR. CLAYTON R. YEUTTER, U.S. TRADE REPRESENTATIVE NOMINEE

Dr. YEUTTER. I will say first of all that it's a delight to be here. Many of you are friends of long standing and it feels good to be back on the Washington scene again even though I have been coming in and out on innumerable occasions during the past 8 years that I've been in the private sector.

I have to say to Senator Heinz that I tried to comprehend the baseball analogy, but you must realize that out in Nebraska we just play football. We don't really understand baseball.

Senator HEINZ. As long as you play hardball, I don't care what game it is. [Laughter.]

Dr. YEUTTER. Good comment.

Mr. Chairman, in the interest of time, if it's all right with you, I will just insert by statement for the record and then summarize its basic contents.

I personally spent a good deal of time in the preparation of my statement so I do hope that the members will take the time to read it. We intend to give it quite broad distribution because it has some messages that I believe are important for people around the world to hear.

Getting back to the point that Senator Bradley and others made, about two-thirds of my statement is devoted to inter-relationships of monetary and trade policy, between the finance sector and the trade sector. I suppose that's unprecedented in a statement like this, but it reflects the world in which we exist today.

Trade and finance policy are tied together—totally interrelated, never to be separated again. And we have to recognize that in everything we do in the trade arena.

I've been saying for a long time that we have to have trade and finance ministers around the world spending a lot more time together. It's just imperative for that to occur.

Senator Bradley and Senator Moynihan, I've already talked to Secretary Baker about a close working relationship between us. I hope we can get our counterparts around the world to take a comparable view, and I hope we can get them all together; that is, the representatives of trade and finance in the major trading nations from time to time because we absolutely have to coordinate trade and finance policies.

This is a macroeconomic world in which we live. We are in a global marketplace today. We have to recognize that in everything we do.

I'd like to say preliminarily, too, Mr. Chairman, that the assertion that I have big shoes to fill is certainly a correct one. Bill Brock has done an outstanding job. He's a tremendously talented individual, and I am personally delighted that he's going to continue on in the Government. It will be a big advantage to me to have him on the scene as Secretary of Labor.

We've had a lot of discussions already over the last several weeks, and he will be a great supporter and confidant and counselor during the next 3 or 4 years. He's a longtime friend, as well, from our endeavors together in Republican politics. I have the greatest of admiration for him, not only in his political career, but during his tenure as USTR.

Now, I will quickly summarize what I have set out in my statement, Mr. Chairman.

We have come a long way in the United States over the last three or four decades in trade. It's a much larger percentage of our GNP today than it was even when I was in Government 10 years ago. We are just a lot more dependent as a nation on international trade today than we were before.

We could basically ignore what was going on 20 years ago in the rest of the world economically and get along pretty well. Today, that is no longer the case.

We have a lot of industries that simply would have no hope if they could not participate in the international sphere. And more broadly than that, if we are to anticipate continued economic growth in this country and a continued increase in our level of living, we have to expand trade. It's as simple as that. We can't contract trade and expect to have the standard of living that we enjoy today.

So we have to deal with trade issues skillfully on a global basis.

We have a lot of problems. As Senator Dole indicated, I accepted this position notwithstanding all those problems, and I would agree with the assessment of some of you that this particular position has to be one of the most difficult of all in Washington, DC, over the next 3 or 4 years.

But that should not be a discouragement for anybody, for either myself or for all of you as members of the committee. With problems come opportunities. And we have to seize those opportunities and confront the challenges doing the very best we can, and let the chips fall where they may.

Now I would hope that 3 or 4 years from now, I can come back before this committee and we can evaluate what we have all done during that time period, and hopefully agree that we have made some progress.

The present trade deficit, gentlemen, is unsustainable. One of you mentioned that we are likely to reach $150 billion as a deficit in 1985 on the heels of $125 or thereabouts in 1984. That just cannot go on. The Nation is not going to collapse if it goes on, but we are going to do inestimable damage to many of our key industries and firms.

I have seen this firsthand from the private sector viewpoint, just as you have. My vantage point has been Chicago. Yours has been Washington, DC, in the discussions and debates that you have had with your constituents.

Chicago is a manufacturing city, basically. A big segment of that manufacturing industry is steel, which has certainly been one of the trouble spots. And as Senator Dole indicated, my background is agriculture. I've had neighbors near my farming operations in Nebraska who have gone down the tubes in the last few months. Some, Senator Dole, have totally shocked me. Some were among the finest farm operators in that area, which is one of the most efficient producing areas in the United States. To see operators like that go down is troubling indeed.

Our export-dependent industries like agriculture are in deep, deep difficulty today. We simply cannot afford to permit our export-dependent industries to be devastated. The dollar isn't going to stay strong forever. It will alter its course simply based upon economic fundamentals at some point in time, irrespective of what we do or do not do in terms of public policy.

But if and when the dollar declines in value and if and when we take other measures to make ourselves more competitive so that we can sell more of that grain, Senator Moynihan, we have got to have somebody prepared to sell. If we dismantled our export firms

and the divisions within those firms that have been responsible for exports, we are going to have nobody to do that job when the time comes.

And in my judgment, it would be tragic to have that situation exist. So we have to be cognizant of what is happening in the way of a trade deficit, and we have to deal with it.

I think we have to deal with it across the board in a whole variety of ways. Mr. Chairman, we have to do everything simultaneously, and we have to do almost everything almost instantaneously. We don't have the luxury of waiting and hoping the problems are going to go away. I think all of us have to play a part in responding to the challenge that exists today.

Clearly, we have to respond on the macroeconomic side. As some of you have indicated, that's the dominant factor today. There isn't any question about that. The strength of the dollar is overwhelming everything else. We can talk about trade barriers all afternoon, and there are plenty of those to talk about, but the fact of the matter is that if one evaluates all of this in percentile terms, you have to assign a much larger percentile to currency relationships than to anything else.

That's something that we as a nation have to confront in terms of macroeconomic policy. And I really mean both fiscal and monetary policy and some macroeconomic policy changes elsewhere as well.

I need not spend a lot of time on it. Clearly, we have to deal with the Federal deficit. That's the fiscal side. And the only point I would add there or emphasize is that we have to deal with it more than just in 1985. This is not a one-time problem. It's a long-term problem.

If you in the Congress chop $50 billion out of the deficit this year, as I hope you will—and I think Senator Dole is entitled to high accolades with respect to the leadership he has provided on the budget issue—but if you all succeed in the very formidable task of reducing the deficit by $50 billion or so, that's only step one. Step two comes next year when we need to repeat that same experience again, if we are ever going to get on top of the fiscal side. If we can get on top of the fiscal, then I suspect that Paul Volcker and his colleagues will feel much more comfortable in easing monetary policy a bit, taking a few more risks in terms of the inflation threat, and helping to move us down the track of lower interest rates which inevitably will be reflected in lower dollar values in a relative sense.

I just came from a conference in Colorado this past week which had a lot of political and business leaders from around the world. And one of the points that I made in that conference was that we need help from them too. And, in particular, my reference is to the leading trading nations of Western Europe and to Japan.

We have had a situation in the last few years in Western Europe where their macroeconomic policies have been basically the opposite of ours. Where we have had a loose fiscal policy and tight monetary policy, they've had just the reverse.

And although we've been able to generate economic growth with our combination of policies, they have not. For all practical purposes, the major nations of Western Europe have been marking

time from an economic viewpoint, and that doesn't provide much in the way of demand to the rest of the world.

For example, in the last 2 years the United States has been taking almost all of the increase of exports from the lesser developed nations of the world, which have a lot of growth potential for our exports. But they can't sell if nobody buys. Our developed country partners have taken very little.

I would hope that we have some reconsideration of economic policies in Western Europe so that somehow or other that part of the world begins to generate a higher level of economic growth and a higher level of demand for imported products, relieving some of the pressure on the United States.

The same applies for Japan. Japan has an economic growth rate that is substantially higher than that of the nations of Western Europe. But it's a growth rate that's almost entirely dependent upon export expansion.

One of my many messages to Japan will be that it is important that the Government of Japan accelerate its own domestic demand. They, too, need to become an importer of products from the lesser developed nations and a much greater importer of products from the United States as well.

As I alluded, we also need a little help on the lesser developed country front, too. They are in a terrible dilemma, of course, because of their debt load today, but it seems to me that it's imperative on our part to do what we can in the way of influencing the policies of the banking institutions of the world in such a direction that we do not totally stifle the economic growth in the LDC's.

Those are big markets for us. They have been our major growth markets in recent years for exports. And although policies of austerity may certainly be in order in the short run for those nations, policies of austerity which were highly export oriented and highly oriented toward curbing imports are certainly not in their long-term financial interest in terms of economic growth potential, and they are certainly not in our interest either because of our own export potential.

Now that's enough on the macroeconomic side, Mr. Chairman. If I may, I will just say a couple of words on the more micro-oriented sector and then we can go to questions.

I should say something about the multilateral trade scene in terms of GATT negotiations and the GATT structure and perhaps some priorities there.

My judgment, Mr. Chairman, is that we need to have a new round of negotiations very soon. However, I would prefer that we didn't use the term "round." Regrettably, in my judgment, we have given a lot of attention to that concept, and it may be difficult now to retreat and go back to something different from that.

But Senator Bradley has recently been a member of a group that evaluated the performance of the GATT and made some recommendations for the future. That, incidentally, Senator Bradley, is an outstanding report. I commend you and your colleagues for what you had to say in it.

One of your comments was that we ought to be changing the GATT structure in such a way that we would have ongoing negotiations instead of a start-stop kind of system.

I have never been able to comprehend the rationale of negotiating for 5 years and then essentially twiddling thumbs for 5 years, and then negotiating for the next 5. Trade problems don't start and stop every 5 years. They go on continually.

It seems to me that if the GATT is going to be an effective, functional organization it has to operate continually. We ought to move toward handling negotiations on an ongoing basis.

So I would like to see that happen quickly. It seems to me that it is clearly in the best interest of the United States to get that process going.

Notwithstanding the importance of the macroeconomic issues that I have just been talking about, Mr. Chairman, we still have plenty of unfair trade practices to deal with. We still have an imperfect world out there in terms of the barriers that exist to international trade.

If we say those problems are minor compared to the fiscal and monetary issues, and therefore, let's ignore them, we run the risk of discovering 3 or 4 years from now that they are suddenly the most significant problems facing American exporters and we've been dilatory in responding to that challenge.

So in my judgment we ought to move forward on that front, and we ought to move forward on that front very quickly.

I will articulate what I consider to be four or five of the major issues that we ought to deal with promptly. And we can expand beyond that, if you like.

One, as Senator Dole points out, is agriculture. That's obviously dear to my heart because that's my background. But you all know, I'm sure, that for all practical purposes, the GATT rules on agriculture are nonexistent. We really don't regulate international trade in agriculture.

And that's inexcusable.

Senator DANFORTH. I'm going to interrupt you for just a minute. We are half way through a roll call vote on the Senate floor.

Dr. YEUTTER. Sure.

Senator DANFORTH. And my suggestion is we break. I think Senator Chafee left early to vote, and my hope is he will be back in just a few minutes and then he can continue.

Senator PRYOR. Mr. Chairman, if it is possible, if we cannot return, those of us who may not be able to return, may we leave questions with you, Mr. Chairman, to submit.

Senator DANFORTH. Right. Senator Heinz has already done that. And I'm sure a number of Senators will want questions to be submitted to you for answering for the record.

Dr. YEUTTER. That will be fine, Mr. Chairman.

Senator DOLE. Mr. Chairman, I would hope that there is still the possibility of getting the nomination confirmed this week. We've been without a USTR for a number of weeks, and we are going to be out of here for 10 days, which would give the nominee time to sort of get settled.

It appears we may be in on Friday now unless Mr. Metzenbaum decides to let us go. We are going to have a lot of votes today unless he changes his mind over there. So we ought to be able to take care of it Thursday or Friday, if that's a possibility.

Dr. YEUTTER. That would be deeply appreciated, Senator Dole, just simply from the standpoint of staffing. I'll lose 10 days on staffing decisions and those are critical days right now.

Senator DANFORTH. OK. We hope to be back. Stay where you are, you know. I mean don't stray too far.

[Whereupon, at 4:08 p.m., the hearing was recessed.]

AFTER RECESS

Senator CHAFEE. Dr. Yeutter, have you completed your statement?

Dr. YEUTTER. I can do it in about 2 minutes, Senator Chafee, if I may.

Senator CHAFEE. All right.

Dr. YEUTTER. I was beginning to articulate just——

Senator CHAFEE. Hold it 1 minute.

All right. Everybody please take your seats. That will reduce the noise.

All right, Dr. Yeutter.

Dr. YEUTTER. Thank you, Mr. Chairman.

It might be useful if I simply follow through and articulate the remainder of the issues that in my judgment need attention multilaterally in the GATT. The one that I had already mentioned was agriculture.

A second one that certainly deserves attention is the whole issue of improving the codes that we negotiated in the Tokyo Round. Those have certainly been a good start in dealing with some of the nontariff measures of the world.

But they are no more than the start. They are not perfect by any means. I think everyone in the world understands that, and so we need to take actions to improve a number of those nontariff measure codes.

And then going beyond that, we certainly need to get a negotiation underway in services, an issue that Bill Brock has spent a lot of time on over the last several years.

Services are such an important part of the American economy today that it is imperative that we have effective multilateral rules on the provision of services throughout the world. Otherwise, nations like ourselves who are very competitive in services are going to run into a whole horde of trade barriers against that segment of our economy.

And then, finally, a very high priority for me, Mr. Chairman: It is imperative that we improve the dispute settlement mechanism of the GATT. I am distressed with the inadequacies of that system. And if I have heard any single class of complaints from the private sector in the United States over the last few years, it relates to the shortcomings of GATT dispute settlement.

If we can't resolve differences between nations in the GATT, then it becomes difficult to defend the GATT as an institution. And in my judgment, it has lost enormous credibility in recent years because of its unsatisfactory method of dealing with disputes.

And I will just give one current example of that, Mr. Chairman, because it relates to the comment that Senator Zorinsky made

about one of our trading partners being unhappy with their discussion with me yesterday.

When one has a case pending before the GATT for 13 years, has a panel judgment that was unanimous, and an additional 54 negotiating sessions, one would assume that it is time to do something.

And yet when we retaliated in that case a few days ago, this particular entity chose to counter-retaliate for four reasons that are incomprehensible to me, and in my judgment, totally indefensible.

But that is why the GATT loses credibility. And we simply cannot afford to have that kind of scenario repeated in the future.

Mr. Chairman, I could speak of other things, but I think it might be better at this point if we go to the questions of all the members.

[The prepared written statement, résumé of Dr. Yeutter, and a letter from the Office of Personnel Management follow:]

STATEMENT OF

THE HONORABLE CLAYTON K. YEUTTER

U.S. TRADE REPRESENTATIVE-NOMINEE

June 25, 1985

Thank you, Mr. Chairman. It is an honor and a pleasure to appear before this Committee as the President's nominee to be the United States Trade Representative.

The relationship between the USTR and the Congress is a special one because the Constitution vests authority to regulate foreign commerce in the Congress. As a former Deputy USTR, I am keenly aware that the preservation of this unique relationship requires an unusual degree of consultation between the Congress and the USTR.

I will be open and responsive to the concerns and advice expressed to me by the Members of the Senate Committee on Finance, the House Committee on Ways and Means, and other Members of Congress who have an interest in the conduct of U.S. trade policy.

I also wish to assure you of my firm commitment, and that of the President, to a strong USTR as the coordinator of U.S. trade policy. Trade issues inevitably affect the interests of a large number of competing national constituencies. It is the USTR's responsibility to balance these various interests and, through careful interagency deliberations, to forge a unified government policy that will advance U.S. commercial interests.

I expect to carry out this responsibility in full consultation with the Congress, through aggressive and active use of the statutory Trade Policy Committee, which I would chair, and through my seat on the new Economic Policy Council, chaired by Secretary Baker. The recently announced streamlining of the Cabinet council system will enhance the role of the USTR as the coordinator of U.S. trade policy.

Mr. Chairman, we meet today at a time of critical importance to U.S. trade policy. International trade has expanded to previously undreamed-of proportions and the U.S. is the world's largest trading nation. Our combined annual export-import trade has grown from $35 billion in 1960 to $559 billion in 1984. Our exports of goods and services accounted for 10 percent of our GNP in 1984, compared to seven percent in 1970 and five percent in 1960. One-eighth of all manufacturing jobs depend on exports and 40 percent of farm production is sold abroad.

Our economic health depends on the maintenance of a fair, open and efficient world trading system. With a fairly mature domestic market and a relatively stable population, our best hope for rising living standards is an expansion of overseas markets. Increasing world trade also provides the best chance for progress by developing nations, and an integrated world economy can be a powerful force for peace.

Yet, the United States faces a huge trade deficit -- $123 billion last year and running at a higher rate this year. A deficit of this magnitude is intolerable and unsustainable. But it is important to understand that the trade deficit is only in minor ways a result of U.S. trade policy. Indeed, if tomorrow morning our trading partners were to make every concession we asked of them, the effect on the deficit would scarely be noticed. The trade deficit is the direct result of larger fiscal, financial and monetary factors which are at work here and abroad.

This deterioration in the trade balance has occurred despite (and, in part, because of) significant improvements in the U.S. economy. Inflation is less than a third what it was in 1980. The prime rate has been cut in half. The economic recovery has created more than eight million new jobs.

Unfortunately, the U.S. recovery has not been duplicated by our major trading partners. So U.S. demand for imported products has increased faster than their import demand. At the same time, the strength of the U.S. recovery has made our economy more attractive to foreign investors, increasing the value of the dollar with respect to other currencies and exacerbating the trade imbalance.

I have spent the last seven years as head of one of the largest financial institutions in the world and I am persuaded that financial conditions have had a profound effect on our trade balance. Last year world trade in goods and services totaled roughly $2 trillion dollars while global capital transfers were in excess of $20 trillion. These capital transfers are highly sensitive to interest rates and exchange rates and they directly affect trade flows.

We simply cannot allow this huge trade deficit to persist; it robs us of growth, shackles our exporters and injures domestic businesses. For many small companies and farmers, the end already has come. For many larger companies, the decision to close plants and get out of the export business may be near. Already, too many companies have shifted their investment to plants overseas, rather than continue producing goods here for export.

That's why we must pursue policies that will allow the dollar to achieve a level that will let Americans compete on a fair basis in the world market.

The most important thing we can do to meet this goal is to get our federal budget deficit under control. The Senate recently took a giant step toward fiscal responsibility with a budget resolution that will cut spending by $50 billion next year and $295 billion over the next three years.

All of us would prefer to do even better, but this is a good start. Even the prospect of progress already has led to an edging downward of interest rates that should help in our efforts to realign the dollar.

At the same time we must resist the temptation to respond to the budget deficit with tax increases. The tax cuts and regulatory reforms of 1981, along with tough management decisions by American business and concessions by American labor, have productivity on the rise. This will form a basis for increased competitiveness by American industry as soon as we solve the exchange rate problem. Let's not put these hard fought, often painful, gains at risk by raising taxes!

The most important reason for the Congress to take strong action to control budget deficits is that it will allow the Federal Reserve Board to establish a more accommodative monetary policy without risking renewed inflation. That will be good news both for economic growth and for the value of the dollar. When money is tight, our interest rates rise relative to those elsewhere in the world, thereby attracting foreign investment. The dollar then rises inexorably relative to other currencies, and our exports suffer.

During the second half of 1984, when there was almost no growth in the money supply, the trade-weighted value of the dollar skyrocketed. That, in turn, encouraged imports and slowed U.S. economic growth in the early months of 1985.

Fortunately, recent fiscal policy actions by the Congress and a more accommodative monetary policy by the Federal Reserve Board have had a stabilizing effect on our economy, and solid, almost inflation - free economic growth should occur. Our lower interest rates will also help less developed countries manage their debt burden, and that's important to us because those countries have the most export potential.

We must not lose our determination to reduce budget deficits and maintain steady growth in the money supply. This is a battle that must be fought every year, not just in 1985.

Looking ahead, we must also seek ways to reduce or eliminate wild swings in the currency exchange markets that play havoc with the world trading system. Coming from the private sector, I can tell you with conviction that wide swings in the relative value of currencies have a dampening effect on capital investment decisions by business.

When the currency markets are subject to wild gyrations, it becomes extremely risky for businesses to make major investments in facilities that would produce for export. When such investments are postponed or cancelled, we eventually lose our world market share.

On June 21, the Group of 10 finance ministers met in Tokyo to discuss the results of their two-year study of ways to improve the international monetary system. The U.S. has offered to host a conference, as Secretary Baker indicated recently, to discuss ways to implement their findings. I intend to be a strong voice within the Administration to encourage a concerted effort to bring more stability to the international monetary system.

Although it's evident that much of our trade deficit is unrelated to trade policy, we also must take firm actions in that arena. On trade issues we have turned the other cheek for many years, perhaps too many, and it has cost our export industries dearly. Too often we have allowed significant penetration of our own markets by countries that will not give us a fair shot at their markets.

We must insist on fair access to markets overseas, and we must enforce our laws preventing subsidized or unfair penetration of our own markets. There is much that we can do within the framework of existing law, and I'm determined to see that we do so. If we are to operate in a global marketplace, a given in today's world, then let's make sure that marketplace is open to everyone!

Our trade policy cannot, however, be pursued through unilateral actions and bilateral negotiations alone. The fundamental long-term commercial interests of the United States depend upon the strengthening of the multilateral trading system.

That system, based on the General Agreement on Tariffs and Trade, has permitted a major expansion of world trade through the mutual reduction of trade barriers to the benefit of all trading countries over the past 35 years. Its success was based on a framework of rules and commitments that were widely accepted by the United States and other countries as fair.

Six years have now elapsed since the end of the last round of trade negotiations. In the intervening period, world trade has been buffeted by severe economic problems -- deep worldwide recession, crushing debt burdens, volatile exchange rate movements and a growth in trade restrictions and barter to deal with payments problems.

Many GATT rules have fallen into disuse and trade barriers have been rising as one country after another has taken actions outside of the existing rules and has solved its problems by subsidizing and protecting key industries. What is remarkable under the circumstances is that the world has not resorted to much greater protectionism than has been the case. But what is also clear is that the core of the multilateral trading system -- the GATT -- is in urgent need of repair. There is both old business, required to improve and strengthen existing provisions, and new business, to extend the GATT to new areas and to deal with new problems impacting world trade.

If we do not take firm action soon to strengthen GATT rules and to expand the GATT to new areas, we risk a deterioration in the world trading system of phenomenal proportions. If the GATT is allowed to become ineffective and irrelevant, protectionism will rise in waves and our world trading system will be obliterated.

In order to shore up the existing GATT system, there are several areas in which rules need to be strengthened or expanded. Among them:

1. Agriculture. GATT rules in the agricultural sector are woefully inadequate. We need meaningful GATT discipline that will make agriculture a true and equal partner with manufactured goods under the GATT. In particular, we must have sensible, effective rules on the use of export subsidies, especially where those subsidies are designed to capture third country markets.

2. Dispute settlement. GATT disputes often go unresolved for years, sometimes even decades, only to terminate in an undecipherable non-decision. We must introduce timeliness and decisiveness to the process, so that member countries will have confidence in the GATT as an institution.

3. Safeguards. We must negotiate a safeguards code that will bring under commonly accepted GATT disciplines all protectionist actions now taken outside the GATT rules.

4. Non-tariff barriers. The Tokyo Round produced embryonic non-tariff codes which served as a good starting point. But experience has shown they need to be improved and broadened to make them truly effective. We still have tremendous problems with quota programs, government procurement practices, standards, the protection of intellectual property rights, and a myriad of other issues.

A new round also is needed to expand GATT rules to areas not now covered, including trade in services, an area of immense importance to the United States.

Mr. Chairman, I wish to emphasize that our pursuit of a new round of multilateral trade negotiations does not diminish the need, nor is it a substitute for, the essential fiscal, monetary and other trade measures I have outlined. A new trade round is essential, however, to restore the credibility of the international trading system and to reverse the recent trend toward the "creative" use of export subsidies and other pernicious trade barriers.

In seeking such a new round, we must take great pains to develop specific goals for the United States, as well as a strategy designed to achieve them. Already, we have received from our private sector policy advisory committees and other private sector organizations a thorough report on their hopes and fears regarding a new round. This is only a very first step in what will be a three-way partnership between the Congress, the Executive Branch and the private sector in determining the U.S. negotiating position for a new round.

Mr. Chairman, the challenges facing us in the trade arena are great. I want to assure the Members of this Committee that I fully recognize the level of concern in the Congress about trade issues. I share this concern, as does the President. We intend to move forward quickly and aggressively to develop a sound strategy to address these trade problems. Though the challenge is indeed a formidable one, I'm confident that we can achieve our mutual goals.

— VITA —

DR. CLAYTON YEUTTER

Personal Data

Date of Birth: December 10, 1930

Birthplace: Eustis, Nebraska

Spouse: Jeanne (Vierk) Yeutter
Date of Birth: August 20, 1931

Her Background: B.S.-Home Economics
University of Nebraska (1953)

Children: Brad, Gregg, Kim, Van

Home Address and Phone Number:

632 Lakeside Drive
Hinsdale, Illinois 60521
(312) 655-1059

Business Address and Phone Number:

Chicago Mercantile Exchange
30 South Wacker Drive
Chicago, Illinois 60606
(312) 930-3000

Academic Data

Education

High School: Eustis High School, Eustis, Nebraska - 1948

University: University of Nebraska, Lincoln, Nebraska - B.S. 1952

University of Wisconsin, Madison, Wisconsin - One semester of graduate work in agricultural economics - 1960

University of Nebraska, Lincoln, Nebraska - J.D. 1963 (Law)

University of Nebraska (Lincoln) - Ph.D. 1966 (Ag Economics)

Scholastic Record

B.S. "With High Distinction" - Highest scholastic honor given by the University of Nebraska. Ranked first in College of Agriculture graduating class. Named by the Block & Bridle Club as outstanding animal husbandry graduate in the United States.

J.D. "Cum Laude" - Ranked first in graduating class. Named outstanding law graduate in Midwest by Phi Delta Phi legal fraternity. Editor, Nebraska Law Review.

Ph.D. Named outstanding graduate student in ag economics. Above an "A" average for entire graduate program.

Professional and Fraternal Societies

Agriculture: Alpha Zeta (scholastic) - Chancellor of local chapter as an undergraduate

Gamma Sigma Delta (scholastic)

FarmHouse (social) - President of local chapter as an undergraduate

Law: Nebraska Bar Association

Order of the Coif (scholastic)

Phi Delta Phi (social and professional)

Employment History

July, 1978 - present: President and Chief Executive Officer, Chicago Mercantile Exchange, the world's second largest futures market. The CME conducts futures trading in (1) commodities, such as fat cattle, feeder cattle, hogs, pork bellies, lumber, and gold; (2) international currencies, such as the yen, German mark, French franc, and British pound; (3) interest rates, through transactions in Treasury bills, domestic certificates of deposit, and Eurodollars; and (4) the Standard & Poor's 500 stock index contract. (Nearly 40 million contracts per year are now being traded on the Exchange.) The President is the CME's chief executive officer, responsible for all its operations, including governmental relations and contacts with both national and international members and customers. The Exchange has more than 2,000 members, with full seats now selling at around $250,000.

April, 1977 - Present (on indefinite leave of absence while serving as President of CME): Senior partner of the law firm Nelson, Harding, Yeutter & Leonard in Lincoln, Nebraska. The firm had additional offices in Omaha, Denver, Salt Lake City, Houston, Rapid City, and Washington, D.C. Responsible for the firm's agriculturally related practice, and for coordinating all elements of the practice where Washington, D.C. or international interests are involved.

June, 1975 - February, 1977: Deputy Special Trade Representative, Executive Office of the President. This was an Ambassadorial post with responsibility for conducting trade negotiations on behalf of the President and the U.S. government. It involved contracts and negotiations with representatives of many foreign governments, as well as coordination of U.S. policy positions with other Federal departments, the Congress, and numerous private sector advisory committees.

March, 1974 - June, 1975: Assistant Secretary of Agriculture for International Affairs and Commodity Programs. Responsible for all international activities of the U.S. Department of Agriculture and the administration of all farm programs. Agencies included: Agricultural Stabilization & Conservation Service; Foreign Agricultural Service; Federal Crop Insurance Corporation; Commodity Credit Corporation.

January, 1973 - March, 1974: Assistant Secretary of Agriculture for Marketing and Consumer Services. Responsible for essentially all regulatory and domestic market service functions in the U.S. Department of Agriculture. Agencies included: Animal & Plant Health Inspection Service; Agricultural Marketing Service; Commodity Exchange Authority; Food & Nutrition Service; Packers & Stockyards Administration.

January, 1972 - December, 1972: Regional Director, Committee for the Reelection of the President. Responsible for all facets of the President's campaign in seven Midwestern states. Also served as Director for Agriculture with responsibility for the agricultural portion of the campaign in all 50 states.

October, 1970 - December, 1971: Administrator, Consumer & Marketing Service, U.S. Department of Agriculture. Responsible for such programs as meat and poultry inspection, the grading of agricultural products, development of product standards, market news, the administration of market orders, procurement of food for commodity distribution, school lunch programs, etc.

September, 1968 - October, 1970: Director, University of Nebraska Mission in Colombia. The largest agricultural technical assistance program in the world at that time. Involved with participation of six Midwestern land grant universities, with funding by AID, the Kellogg Foundation, and the Ford Foundation. Assistance was provided at the graduate and undergraduate level in teaching, research, and extension in all major agricultural fields. Recipient agencies were the Colombian Agricultural Institute (which somewhat approximates USDA) and the National University.

January, 1966 - September, 1968: Executive Assistant to the Governor of Nebraska. Responsible for coordination between the Governor and numerous agencies of state government - including the Department of Agriculture and all state educational institutions. Handled all of the legislative liaison work, including drafting of legislation to broaden the state tax base and to provide for state aid to education. Major legislation enacted included the aforementioned bills, along with others to: create a state department of economic development, establish a minimum wage, merge the University of Nebraska and the University of Omaha, establish a state telecommunications commission, etc.

January, 1960 - January, 1966: Faculty member, Department of Agricultural Economics, University of Nebraska. Combination teaching, research and extension responsibilities in agricultural economics and agricultural law. Major professional area was resource economics, i.e., land and water. Taught only part time while completing degree requirements for the Ph.D. and J.D. degrees. Served full time in 1965 and 1966.

1957 - 1975: Operator of a 2,500 acre farming-ranching-cattle feeding enterprise in central Nebraska. This unit is now operated by a tenant on a cash lease basis.

1952-1957: United States Air Force. Enlisted as a Basic Airman upon graduation from the University of Nebraska. Later received a direct commission in Medical Administration. Ranked first in graduating class in Basic Course in Medical Administration, Gunter AFB, Alabama. Recipient of numerous military awards. Continued in the active reserve until 1977. Presently a Lt. Colonel in the inactive reserve.

1963 - 1968: To the extent permitted by time and other obligations, active in the practice of law in Lincoln, Nebraska.

Boards and Trusteeships

Member, The President's Export Council, Washington, D.C.

Chairman, Board of Directors, Chicago Association of Commerce and Indusry, Chicago, Illinois (the nation's largest Chamber of Commerce)

Member, Board of Directors; Chairman, Economic Forecasting Committee, ConAgra, Inc., Omaha, Nebraska

Member, Board of Directors, The Chicago-Tokyo Bank, Chicago, Illinois

Member, Board of Directors, Swiss Commodities and Futures Association, Geneva, Switzerland

Vice Chairman, Board of Trustees, International Agricultural Development Service, Arlington, Virginia

Member, Board of Directors; Member, Executive Committee; Member, Washington, D.C. Liaison Committee, U.S. Meat Export Federation, Denver, Colorado

Member, Board of Trustees, Garrett-Evangelical Theological Seminary, Evanston, Illinois

Member, Board of Directors, Chicago Council on Foreign Relations, Chicago, Illinois

Member, Board of Visitors, School of Business Administration, Georgetown University

Member, Board of Directors, Business-Industry Political Action Committee, Wash, D.C.

Chairman, Edith and Dana Bennett Agricultural Round Table, Washington, D.C.

Member, Board of Trustees; Member, Executive Committee, Farm Foundation, Oak Brook, IL

Member, American Council on Germany, New York City

Member, The Bond Club of Chicago (Illinois)

Trustee, Livestock Merchandising Institute, Kansas City, Missouri

Member, The Commercial Club, Chicago, Illinois

Member, The Overseas Development Council, Washington, D.C.

Member, Executive Committee, The Mid-America Committee, Chicago, Illinois

Member, Illinois District Export Council, Chicago, Illinois

Other Significant Activities

Member, U.S.-Brazil Economic Working Group, appointed by Sec. of Treasury Regan, 1983

Member, Working Group preparing U.S. position for 1983 Economic Summit held at Williamsburg, Virginia

Member, Trade Policy Research Centre Study Group on Protectionism and Public Policy, London, England

Chairman of the Agricultural Development Task Force to Peru, appointed by President Reagan in response to U.S. commitments made at Third World Summit in 1981

Chairman, Transition Task Force on Agricultural Policy, Reagan Administration

First American businessman invited to Japan (in 1982) under Japanese government program to improve trade relationships with the U.S.

Former member, Board of Directors, Tri-Valley Growers (fruit and vegetable processing), San Francisco, California

Former member, Board of Directors, Japan-America Society of Chicago

Recipient of the Israel Prime Minister's Medal for long-time friendship to Israel and support for its economic development

Recipient of American Society of Agricultural Consultants "1978 Distinguished Service Award"

Recipient of Knights of Ak-Sar-Ben "1978 Agricultural Achievement Award"

Recipient of FarmHouse "Master Builder of Men" award, the highest honor granted an alumnus of that fraternity

Recipient of Purdue University's (Lafayette, Ind.) "Old Masters" award, and the University of Nebraska's comparable "Masters" award

Member, Nebraska Hall of Agricultural Achievement

Recipient of first University of Nebraska 4-H Club Alumni award

Past Chairman, Board of Directors, Platte Valley Packing Co. (beef), Cozad, Nebraska

Former Member, Editorial Board, Commodities - The Magazine of Futures Trading

Past Vice Chairman, Governor's Committee on Public Relations in Agriculture (Nebraska)

Past Vice President, Nebraska Society of Washington, D.C.

Past Chairman, Official Board, Christ Methodist Church, Lincoln, Nebraska

Past Secretary, Commission on World Service and Finance, Nebraska Methodist Conference

Past Member, Board of Trustees, Wesley Foundation, University of Nebraska

Past Director, FarmHouse Fraternity Alumni Association

Numerous YMCA positions

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United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

JUN 24 1985

Honorable Robert Packwood
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Clayton K. Yeutter, who has been nominated by President Reagan for the position of United States Trade Representative.

We have reviewed the report and have also obtained advice from the Office of the United States Trade Representative concerning any possible conflict in light of that Office's functions and the nominee's proposed duties. A copy of that Office's letter outlining the steps Mr. Yeutter proposes to take is enclosed for your reference. Based on these representations, we believe Mr. Yeutter is in compliance with applicable laws and regulations governing conflicts of interest.

Please note that Mr. Yeutter has updated this report to include all earned income received by him as of June 21, 1985, a date which is within 5 days of the confirmation hearing scheduled by your Committee. This update fulfills the requirements of 5 U.S.C. App. 4 § 201(b)(1) and therefore will not require a separate filing on his part.

Sincerely,

David H. Martin
Director

Enclosure

Senator CHAFEE. All right. We will have 4 minutes apiece.

And my first question to you is in order to do something about services, would that require a new round?

Dr. YEUTTER. As you know, there are no rules in the GATT on services at all now. In fact, many members of the GATT, particularly lesser developed country members, would prefer that we not have any rules on the services.

So we do need a multilateral negotiating forum. Now it need not be the GATT, Mr. Chairman. We could do that in a forum totally outside the GATT simply by gathering the group of nations together who are primarily interested in services and working out an arrangement among us.

But in my judgment that clearly is a secondary choice. Our primary choice should be to try to do it within the GATT.

Senator CHAFEE. OK. Now suppose France says they won't participate? Can we just plunge ahead anyway?

Dr. YEUTTER. Yes, sir.

Clearly, we should have the European Community involved for services because they are a big market for American service functions and it would be tragic if they were not involved. But it is not imperative for them to be.

We have a lot of other markets around the world for our service industries, and I would be prepared to move forward on services irrespective of whether or not France or the European Community chose to participate.

But I really believe that's an irrelevant question in the sense that I expect them to participate.

Senator CHAFEE. Now when you say you are willing to move forward, one of the problems we see from here is that the other departments are becoming involved in your areas of responsibility, particularly the Treasury Department.

I've heard it said that the Treasury Department, personnel are negotiating with the Japanese about pharmaceuticals, for example. It seems to me these sorts of negotiations are meant to be a part of the traditional role that you have, and that is to establish our trade policy.

What are we going to do about that?

Dr. YEUTTER. Well, I do not have a specific answer, Mr. Chairman, with respect to the pharmaceutical negotiations. I'm aware that Treasury does have the lead on that. But that's a decision that was made some months ago.

Senator CHAFEE. I'm sorry. I missed that.

You say in the pharmaceuticals the Treasury was given the lead?

Dr. YEUTTER. That is my understanding, but I do not know the rationale of that particular decision. We can certainly provide that rationale.

Senator CHAFEE. Who would give them the lead? The President?

Dr. YEUTTER. Well, it would—and, again, I cannot answer for that——

Senator CHAFEE. I'm not trying to put you on the spot.

You haven't even taken over yet.

Dr. YEUTTER. Let me answer that question by describing the way it should work, in my judgment, and hopefully will work from here on, Mr. Chairman.

We had cases when I was in the Government when other departments took the lead on specific negotiations. So that is not at all unprecedented. And in my judgment, is not at all undesirable so long as those agencies do so under the aegis of the USTR. In other words, if Treasury has a negotiating lead, that is perfectly appropriate, but it should be done under the aegis of USTR as the lead entity.

And I will give you a specific example. Back in the Nixon and Ford years, I negotiated the so-called cheese war when I was assistant secretary of Agriculture. The USTR presumably should have had the lead in that particular case, but we did it at Agriculture because of my agricultural expertise.

And there were no objections on the part of the USTR to this arrangement. So I think one should always put his or her best negotiator in the forefront as long as it is under the aegis of USTR.

In other words, if our best negotiator on a particular topic is in the Department of Commerce, then that person ought to head the negotiations.

But that should be a judgment call of the U.S. Trade Representative. Whether that was the case in the example you gave with respect to pharmaceuticals, I cannot answer. But I would hope that from now on that will clearly be the case.

Senator CHAFEE. Just one final question. In your statement, I think you said that in the Cabinet Council the Treasury, Secretary Baker, will be the head of this.

Dr. YEUTTER. Of the Economic Policy Council, yes.

Senator CHAFEE. Of which foreign trade is just a portion.

Dr. YEUTTER. Exactly.

Senator CHAFEE. I——

Dr. YEUTTER. The new Economic Policy Council, Senator Chafee, is now designed to operate, as far as I have been told, in the identical manner as the system we used in the Ford years. And if it does, I would be very comfortable and satisfied. Using that system, we were able to handle trade issues within the trade policy committee structure established by the Congress without any difficulty. An issue would not go into what was called the "Economic Policy Group" until after the issue had been totally handled within the Trade Policy Committee structure.

I have every assurance that that is the way the system is intended to work now. And if it does, we should have no turf problems.

Senator CHAFEE. Thank you.

Thank you, Mr. Chairman.

Senator DANFORTH. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Dr. Yeutter, as you know, one industry that is suffering very hard times now is the forest products industry. And, as you also know, Japan has very high tariffs on processed forest products. And you know that this is one of the four areas in which the Prime Minister of Japan and the President agreed that Japan should lower tariffs. But so far nothing has happened.

Second, you know that between 30 and 40 percent of the softwood consumption in the United States today consists of Canadian imports. That's partly due to the high U.S. dollar compared to the Canadian dollar. But it's also very much due to the different stumpage practices undertaken in Canada and in the United States.

That is, timber sold from public lands in the United States is sold at a free-market value, through a bidding process.

On the other hand, in Canada, where the provinces own virtually all the timber, the provinces set the stumpage price, that is, the sales price of timber, at a low enough level to keep mills in operation, much below the market price.

In fact, in comparing the stumpage price in B.C., British Columbia, with that of the Pacific Northwest, it's about $2 per thousand board feet in British Columbia and about $50 to $60 per thousand board feet in the Pacific Northwest.

As a consequence, B.C. timber, which is two-thirds of all the Canadian timber, is being exported in dramatically increased levels, not only to the Pacific Northwest, but to the Northeast and the Southwest and all four corners of the country, putting even Arkansas timber producers out of business.

The question is: What are you going to do that is different than the prior administration to help solve these two problems?

Dr. YEUTTER. OK. Thank you, Senator Baucus. First, with respect to Japan. Those negotiations, as you point out, are now underway. So far, according to reports from Ambassador Smith who was just in Japan, there hasn't been a lot of progress in that particular area of the so-called MOSS talks.

All I can say at this point, not having been in any way personally involved in those negotiations is that I expect to be in Japan the first week of August to discuss a myriad of trade issues with all of the top officials of the Japanese Government. And certainly that one will be on my agenda.

Now clearly my discussions will be separate from the negotiations themselves. But I will commit to you that I intend to do everything in my power to open up a substantial number of Japanese market opportunities for American exporters, including that one.

Senator BAUCUS. But on Canada you have met twice with Trade Minister Kelleher already.

Dr. YEUTTER. Yes.

Senator BAUCUS. So I'm curious based upon those two meetings what different approach, compared with your predecessor, you will pursue so that we get some results.

Dr. YEUTTER. The Canadian situation is an extremely difficult one, as you know. We have discussed it, and I'm sorry I had to miss the meeting this morning in which 40 or 50 Members of Congress attended. I've also discussed it with your colleague, Senator Symms. And I intend to have meetings with a number of other Members who are concerned about this, as well as with Minister Kelleher and his associates.

I will be holding a followup meeting with Minister Kelleher in Canada in a couple of weeks. I cannot tell you at this point in time, Senator Baucus, what I will say to him then, with specificity.

But I will tell you that he will certainly know then that this is a high priority issue for bilateral treatment between our two countries.

I mentioned the U.S. attitude toward this issue to him in my meeting of a couple of days ago. And the reaction of the Canadians who were in that particular meeting seemed to be one of surprise and shock. In other words, it was apparent to me, Senator Baucus, that they were not aware that this was such a bitterly contested issue on the part of the United States.

Our USTR delegation, by the way, has already submitted a couple of suggestions to the Canadians as to what they might do in this regard. The Canadians have not yet reacted with any great enthusiasm to those proposals. But we are certainly going to keep the pressure on this issue because there are a lot of other things that we would like to do in United States-Canadian trade relationships, as you know, and certainly we cannot proceed on the broader relationships if we have some very sensitive individual issues like this that are out of control.

I'm, obviously, not in a position to discuss negotiating strategy with you or even negotiating points, but I'm well aware of the importance of that issue to you and a lot of other members, and it will deserve and receive priority attention.

Senator BAUCUS. Thank you.

Senator DANFORTH. The early bird list. Some of the Senators have flown the nest, but the early bird list, in order of Senators arriving, is Baucus, Symms, Grassley, Moynihan, Danforth, Bentsen, Chafee who in our absence already had a round of questions, Pryor, Heinz, Bradley, Mitchell, and Dole.

Senator Grassley.

Senator GRASSLEY. Dr. Yeutter, you served in the Department of Agriculture and other positions within the previous administrations at a time when there was a rapid increase in farm exports. Do you think there is any hope of increased agricultural exports in the present world trading environment as well as, let me say, the economic environment we are in today?

Dr. YEUTTER. The answer is in the long run yes, in the short run, not much. And I can embellish that as much as you like, Senator Grassley.

Senator GRASSLEY. Well, I'll follow that up.

Dr. YEUTTER. OK.

Senator GRASSLEY. A question along the same line. That the extent to which you feel it can be helped long term, the extent to which you think it can short term, even though that is less optimistic from your point of view, I would like to have you describe what you feel that you can accomplish to improve that as it relates to increased income from farmers.

I hope you just won't say, well, that's going to have top priority with you. I'd like to have you be specific as to what you might do as trade representative to help improve the financial condition as it relates to agricultural trade. And also some view on your part as you view the limitations of your office in that regard.

Dr. YEUTTER. Well, clearly, anything that I would propose or recommend in this arena would have to be closely coordinated with

Secretary Brock because he has his jurisdiction as Secretary of Agriculture and I will have mine as U.S. Trade Representative.

We expect to have a very good working relationship, and no concerns at all with respect to whether he's operating on my turf or vice versa. We just want to deal with the problems. And I expect to be able to do that without any difficulty.

Now as to what we might do or the administration might do in this area, we could spend a lot of time on that, Senator Grassley, but let me just mention two or three important ones.

First of all, I'm pleased as a U.S. trade negotiator that we have the so-called Export Enhancement Program. I'm not pleased from the standpoint of trade policy because it is certainly not the kind of policy that someone of my background would favor on the international sphere.

But it is excellent from the standpoint of leverage. And if that program provides us some leverage that will bring other nations to the table to seriously discuss our differences over agricultural trade issues, that will be helpful.

We also need to make sure, Senator Grassley, that we do not price ourselves out of world markets by having loan levels higher than they should be. And there have been times in recent years when we have done that.

We do need a safety net for farmers in these difficult times. You understand well the pressures in Iowa. But in my judgment, that safety net should come from the target price segment of the system and not from the loan segment of the system.

So let's get the loan levels down to where they are below world market prices, and provide some uncertainty for our export competitors.

If they have to think about whether or not they are going to be able to sell on the export market as they plant another 100 acres of wheat or 100,000 acres of wheat, they might choose not to do so. And that will be very beneficial to us.

So that's one step.

In terms of the unfair trade practices of our competitors—and certainly we've had plenty of examples of those with the European Community—we have to counter them in a variety of ways. And there are a number of methods for doing that.

But I really believe we have passed the point where we can simply tolerate whatever other nations do to us in the agriculture sphere or anywhere else, and permit them to undercut us and capture market share without our responding in any way.

In my judgment, we need to neutralize the unfair trade practices of other nations in this area. I will not define neutralize in this context at the moment, but I think you know the meaning of that term.

We also have to do a better job selling. There are some things that the private sector needs to do here too. It's not just a burden or an obligation of the public sector. We haven't sold as aggressively in both agricultural and industrial goods in many cases as we could or should have. The Government plays some role in the agricultural side through our cooperative programs with agencies like the American Soybean Association and others.

But our private sector firms have an obligation to sell skillfully, effectively and vigorously in international trade. And although we have some outstanding performances in that area—I'm certainly not generalizing—there are some cases when we could just do a better job.

So it's a whole combination of things involving not only farm policy, which we have discussed very briefly here, but clearly monetary and fiscal policy too. If we don't get our fiscal act together, the farm legislation or farm policy isn't about to solve our problems and make us export competitive.

Senator DANFORTH. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, as Dr. Yeutter knows, the Cabinet economic policy council has just written a letter to each of us who has cosponsored S. 680—there are 52 such persons on the question of textiles and the surge of imports in recent years--rejecting the legislation.

This is one of those points where doctrine and reality collide in a very painful way. We began the effort to regulate the rise in imports for apparel and textiles in 1962 with the Long-Term Cotton Textile Agreement, and I was one of the people who negotiated it. And it was the condition of getting the Trade Expansion Act of 1962, which became the Kennedy round.

There is no serious way in which we can talk about preserving anything like an apparel industry on the basis of simple free trade. At this moment, 50 percent of the apparel sold in the United States is imported. And it was about 15 percent when we negotiated that agreement in Geneva a quarter of a century ago.

This committee, and this Senate, is very much concerned that the administration does not really believe in the Multi-Fiber Agreement and that whatever we negotiate doesn't and won't get administered. And, hence, this legislation, which has a majority of the Senate supporting it.

I don't expect a response. I have questions and I will have the opportunity to ask them at a hearing on S. 680 next month.

Do you understand our sense in these matters? That nothing seems to avail, no matter how many times we get agreements. That nothing seems to stop the surge of imports and won't unless the executive is aggressive about doing something.

Dr. YEUTTER. Well, I understand the MFA quite well, Senator Moynihan, from our earlier days of government.

Senator MOYNIHAN. Sure, sure.

Dr. YEUTTER. It was in place, as you pointed out, during the mid-1970's and long before that. Ambassador Smith, who is now a Deputy USTR, was our textile negotiator at that time and did a fine job.

If I may, I would like to answer in the following way.

First of all, I share the viewpoint expressed by my Cabinet colleagues in their letter to the Senate. There are an enormous number of objectionable features to the legislation, notwithstanding all its distinguished sponsors and cosponsors. And it would be troublesome to me as a trade negotiator to have that kind of legislation passed. Troublesome in a lot of areas outside of textiles because of the precedents that would be set in terms of violating both

the spirit and the law of the GATT. So I would strongly urge that we not legislate a solution to these problem areas.

Now that all being said, I also comprehend what has been happening in the textile industry. That industry is less familiar to me than some of the others with which I will be dealing simply because it's located in areas away from where I have been living and working. But I have already had a lot of conversations on textiles over the last 3 or 4 weeks. And I have been well briefed on the issues in terms of what the domestic textile industry has been doing in recent years.

And I must say, Senator Moynihan, I'm rather impressed by what I've learned. Not all of our textile industry has modernized, but a substantial segment of it has. And that is commendable.

Senator MOYNIHAN. Oh, yes.

Dr. YEUTTER. And that has often not transpired in some of our declining industries. So the textile industry has done a lot to try to pick itself up.

Senator MOYNIHAN. If I could say: That which hasn't modernized is being overwhelmed by low wages; and that which has modernized is being overwhelmed by an overvalued dollar.

Dr. YEUTTER. Surely.

Senator MOYNIHAN. They don't seem to have much of a chance——

Dr. YEUTTER. That's the problem. And that's an excellent and concise summary.

Now the dollar problem we have talked about already. It's clear that we have got to continue to work on that.

Aside from the dollar problem—and hopefully an improvement in the international economic environment—my judgment, Senator Moynihan, is that we should extend the MFA. That's not an administration position because the administration position has not yet been determined to my knowledge, but that's my personal judgment. We will find that the lesser developed countries will not react enthusiastically to that proposition. But it seems to me unrealistic to expect that we would not continue the MFA and, therefore, my conclusion on all this, Senator Moynihan, would be that we ought to respond to the concerns of the textile industry in that forum rather than the legislative forum.

Senator MOYNIHAN. You won't mind saying textile and apparel, will you?

Dr. YEUTTER. That would be fine.

Senator MOYNIHAN. Thank you. We will continue this conversation. [Laughter.]

Dr. YEUTTER. With pleasure.

Senator DANFORTH. Dr. Yeutter, we are again in a vote, I'm sorry to say. My turn is next on this list. I'm going to ask you one question only.

Dr. YEUTTER. OK. You want to ask it now?

Senator DANFORTH. And I will ask it now. But bear in mind we only have a few minutes.

Senator BRADLEY. Mr. Chairman, how long will we meet tonight? I mean could he be available to come back tomorrow or another time?

Senator DANFORTH. The hope is, I think, to see if we can report out the nomination tomorrow morning.

Dr. YEUTTER. I'm prepared to go as long as you would like, Senator Bradley.

Senator DANFORTH. I have a whole series of questions that I want to ask you, but I'm going to ask one right now.

Dr. YEUTTER. All right.

Senator DANFORTH. Do you recommend any changes in our present trade policy? And, if so, what are they? [Laughter.]

Dr. YEUTTER. I was about to say, Senator Danforth, that I was going to answer more concisely, but you just took away that opportunity.

In the broad sense of the term, Senator Bradley——

Senator DANFORTH. I'm Danforth. I've had this problem. All this morning for 3 hours a witness called me Senator Heinz. [Laughter.]

It's going downhill, too. [Laughter.]

Senator BRADLEY. Mr. Chairman, a point of personal privilege. [Laughter.]

Dr. YEUTTER. I should at least get the right party, shouldn't I.

Senator DANFORTH. I think we've got the vote now, so I think we had better get back to it.

Dr. YEUTTER. OK. I'll answer when you get back.

Senator DANFORTH. When the Senators come in, they will just start asking you questions.

Senator BRADLEY. Mr. Chairman, may I submit some questions for him to answer in writing?

Senator DANFORTH. Sure.

[Whereupon, at 4:45 p.m., the hearing was recessed.]

[The questions from Senators Danforth, Heinz, Long, Bradley, and Pryor follow:]

Senator Danforth:

Question: On April 30 the United States and Japan signed an interim agreement on civil aviation which granted authority for a newly organized Japanese all-cargo airline to begin flight immediately to San Francisco and New York. In view of the entry of this new cargo airline into the trans-Pacific market -- a market which has experienced a precipitous drop in tonnage in 1985 from 1984 -- do you believe it is advisable for the United States to pursue negotiations on cargo issues with Japan which most likely would lead to additional cargo concessions by the United States?

Answer: As you probably know the most recent extension of the bilateral treaty which governs U.S./Japan civil aviation will expire next September. Several rounds of negotiations are scheduled over the coming months, and they will cover all the outstanding issues in our bilateral aviation relation. Our objectives in these talks are an outgrowth of the recent deregulation of our domestic airline industry. We seek increased flexibility on prices, free access to Japan by all American airlines which want to operate a service, and a reduction in Japanese regulatory barriers. On this last issue, we seek a change in Japanese ground handling and computer reservations practices, and new rules on charters which would allow U.S. freight forwarders to operate charter flights. The principal Japanese objectives are to operate flights through the United States to points beyond, primarily Latin America, and the right to fly all-cargo planes to Chicago.

The overriding Japanese goal is getting the right to Chicago. In my opinion we are not now in a position to make determination on this Japanese request. We need time to ascertain the impact of the entry of Nippon Cargo Airlines on U.S. cargo operators, as well as to develop a better sense of the direction of bilateral cargo traffic. In addition, the Japanese must show positive steps in all our areas of concern before we can seriously consider their request for still more cargo rights.

Senator Heinz: 1

Question: I note that textile and apparel imports into the U.S. have increased almost 70% during the last two years, yet the Administration has said that it would try to limit import growth to domestic market growth. Clearly, this has not happened. Why? Is the system for controlling import growth deficient? What do you plan to do to solve this problem?

Answer: I am extremely concerned, as are others in the Administration, by the intense competition faced by our domestic industry as a result of imports. As a result of the economic recovery and the strength of the dollar, domestic demand has been so strong and the price of foreign goods so attractive, that as soon as we restrain imports in one area, new pressures develop elsewhere. Because other major importing countries have lagged in recovery and growth, the U.S. has felt these pressures disproportionately. As the President has said, "where...threats to our important textile and apparel industry have appeared, we have tried to counter them." "...our Administration will strive to work toward an ever closer relationship of textile imports and domestic market growth, consistent with our existing international obligations." We are continuing to tighten our existing bilateral agreements as they come up for renewal and to negotiate new quotas where there is a threat of disruption to our market. We have established over 300 quotas in the last three years in response to the industry's situation. I am fully aware that despite these efforts, unparalled in the history of the textile/apparel import control program, our industry believes the present system is not working. I am sensitive to this concern and this is a point which I will examine closely as we develop a negotiating position for a new MFA. I am heartened, however, by the fact that as a result of our extensive actions under the present system, the decline in the growth of imports which became evident in the fourth quarter of 1984 has continued through the first four months of this year.

Senator Heinz: 2

Question: The U.S. fiber, textile and apparel industry has called for a much stronger MFA in order to avoid the market disruption we have experienced in the past few years. What will be your Office's position on the renegotiation of the Multifiber Arrangement? Will the United States seek a new MFA? What changes, if any, will you seek in the MFA?

Answer: There is no doubt that strong import growth in recent years has been a major problem for our domestic textile and apparel industry. For that reason I personally believe it would be unwise to allow the present MFA system to expire next year. I understand that the Administration is now consulting with domestic industry to determine appropriate U.S. positions with respect to renegotiation of the MFA. In fact, the formal comment period from the public closed only a few days ago. We will want to carefully review these comments before determining the Administration position so I cannot yet say what specific changes we will seek in the MFA. But it is clear that if a new MFA is to be successful it must deal with the very real problems of today's trade.

Senator Heinz: 3

Question: How do you respond to those critics of the MFA, both foreign and domestic, who call for its abolition or phase-out?

Answer: World trade in textiles has always been recognized as a particularly sensitive problem. For our industry the problem has been particularly acute in the past two years due to the strong position of the U.S. dollar and stronger market demand for both domestic production and imports than exists in other developed markets. Therefore, I believe that it would be unrealistic to expect our industry next year to face the radical adjustment that an immediate abolition of MFA type restraints would entail.

Senator Heinz: 4

Question: Our nation's manufacturing base is being eroded by a flood of imports. What is your view of this situation? Do you think it is in the United States' broad interests to maintain a domestic textile and apparel manufacturing base?

Answer A viable domestic textile and apparel industry has and remains an important policy of this Administration. For this reason this Administration has done everything it could, consistent with U.S. obligations under the GATT and Multifiber Agreement, to stem import growth. For example, it has established more than 300 quotas since 1981. The Administration also has developed textile rules of origin to make legal quota evasion more difficult.

It is true that imports increased significantly in 1983 (25%) and 1984 (32%). But a quarter of the increase in 1984 came from the EEC and Canada. To date both we and the domestic industry have felt that products from these sources should not be subject to MFA controls. Indeed, exports from the EC and Canada are exempt from the Textile/Apparel Enforcement Act now before the Congress.

About 80% of all imports from developing country suppliers are now under quotas, and those quotas are taking effect. During the first four months of 1985, imports declined by 4% from the same period in 1984. While one cannot with certainty predict future trade levels in this vast and complex industrial sector, I am encouraged by the recent downward trend in the import numbers in recent months.

Senator Heinz: 5

Question: Since the present "escape clause" went into effect some ten years ago, only twelve out of fifty four of the industries which have petitioned for relief under the statute have received import relief. Do you consider this history an effective response to dealing with injurious import competition faced by so many American industries?

Answer: I'm not in a position to judge how effective the U.S. "escape clause" law (section 201 of the Trade Act of 1974) has been in the past, without reviewing each of these cases and the context in which they were brought. I do think that it can be misleading to measure the effectiveness of the law by gross statistics or the number of private petitions that result in import relief.

As you know, the statutory standards for import relief are rigorous. The petitioner must demonstrate to the USITC actual or threatened "serious injury" as a result of increased imports, and it is my impression that the USITC has found that many past petitions have not met this test. Even after an affirmative ITC finding, the President must determine whether import restrictions under the statute are in the national economic interest. By statute, the President must take into account a broader range of factors than those considered by the USITC, including effects on consumers and possible retaliatory action by countries that would be affected by U.S. restrictions.

Those judgements, in which the USTR has a principal advisory role, are often exceedingly difficult. Import relief can be a useful tool, enabling U.S. industries to adjust to import competition. However, unlike other trade remedy laws, the escape clause is not an unfair trade practice statute. It is, therefore, appropriate to take into account in each case the costs of relief as well as the benefits.

Senator Heinz: 6

Question

The footwear "escape clause" case may be the first such case which crosses your desk for recommendation to the President. Import penetration in the footwear industry is now 75 percent and unemployment stands at over 18 percent. Would you share with the Committee your thoughts on how you would proceed to consider this matter in preparation of your recommendation to the President?

Answer

This is a difficult question to answer without prejudging the outcome of the case. As you know, under the law, the President must determine by August 28 whether the granting of import relief to this industry would serve the national economic interest and, if so, the form of remedy to impose. In arriving at his determination, the President must consider a number of criteria that are very different from those considered by the USITC. For example, he must determine and consider the impact of relief on other American industries, such as those whose tariffs would have to be lowered in compensation for relief on shoes if a global remedy were to be imposed. He must determine whether the granting of import relief is likely to promote meaningful efforts by the industry to adjust to import competition. He must consider the effect of import relief on shoe consumers. And he must determine and consider the economic and social costs on communities and workers if relief were or were not granted. This is a very complex process.

To assist the President in making his decision, the interagency Trade Policy Committee (TPC), chaired by USTR, has established a task force, which is charged with compiling the relevant economic data and developing options for disposition of this case. The task force has already had a detailed discussion of this case with representatives of the U.S. shoe industry and its labor union. It will shortly have a similar discussion with U.S. retailer and importer interests.

Options developed by the task force will subsequently be reviewed by the TPC and an effort will be made to develop a consensus. As the U.S. Trade Representative and Chairman of the TPC, I am charged with the leadership of this interagency review process nd with the presentation of this issue to the President for final determination.

It is premature for me to comment on the outcome of this case since the facts have not yet been developed and the final report of the ITC has not been transmitted. I will certainly take the ITC recommendation seriously and if the facts developed warrant the granting of import relief, I will recommend that course of action to the President.

Senator Heinz: 7

Question: The U.S. has lost 600,000 jobs in manufacturing since 1981. Most of these jobs have been lost in heavily import-impacted industries. Do you see a role for effective import relief under existing trade laws in stemming this tide of job losses?

Answer: Certainly. While I think it is clear that macro-economic factors, notably the high dollar relative to other currencies, are the fundamental problem, I believe that our trade laws can also play an important role in easing the problems of certain industries. It is, of course, particularly unacceptable to lose jobs in any sector as a result of foreign unfair trade practices -- so we need to vigorously enforce the trade laws dealing with such practices. Also, in certain cases, import relief under Section 201 of the Trade Act of 1974 may help U.S. industries adjust to import competition and, thus, prevent the loss of American jobs. We do, however, need to take a hard look at the costs as well as the benefits of such actions in the light of our overall national economic interests.

Senator Heinz: 8

Question: Do you believe that there is a need to reform some of our trade remedy laws in order to deal with current conditions of competition that have contributed to the $123 billion deficit last year?

Answer: The trade remedy laws, such as Section 301, Section 201, and Section 337, and the countervailing duty and antidumping laws, are intended to deal with specific trade problems such as dumping, patent infringement and subsidies. They are not intended to provide a remedy against trade deficits. As I mentioned in my testimony, macro-economic factors, rather than U.S. trade policy, are primarily responsible for the trade deficit.

Nonetheless, I think the trade remedy laws can, and should be, used to mitigate our serious trade problem. In particular, I intend to make use of them in attacking the unfair trade practices of other countries. In this respect, I am happy to note that Congress has provided, in the Trade and Tariff Act of 1984, some new tools which will, hopefully, strengthen my hand.

At this point, I am not prepared to propose any changes in existing laws. I would not, however, rule out the possibility of amending the trade laws if I find them to be inadequate for their intended purpose.

Senator Heinz: 9

Question: Last year's trade deficit exceeded $123 billion and this year it is expected to reach $150 billion. These deficits impact most heavily on industries such as footwear, apparel and textiles, and automobiles. What role should you play in addressing this problem as U.S. Trade Representative?

Answer: Our overall trade deficit is very much a function of the strong dollar. This problem can be most effectively dealt with by reducing our budget deficit and pursuing sound macro-economic policies. Beyond that, I am personally committed to a major effort to bring down the barriers to our exports abroad.

There is no question that some industries are more affected by import competition than others. You cited some industries that face intense competition from imports. Effective macro-economic policies, by lowering the value of the dollar, would, of course, also significantly improve their situation. My role as the U.S. Trade Representative in addressing the problems created for these sectors by the foreign competition depends on the nature of that competition. If it is unfair, I should insist on the aggressive enforcement of our unfair trade statutes to offset the unfairness. If, on the other hand, it is fair import competition, then I should try to determine whether the import relief provisions of our trade laws can be used, in a manner compatible with our overall national economic interest, to give the affected industry an opportunity to adjust and become competitive.

Senator Heinz: 10

Question: Among the other responsibilities of the United States Trade Representative is administration of Section 301 investigations. As you know, under Section 301 of the Trade Act of 1974, as amended, the President can take action including retaliation to obtain removal of a foreign government action which violates an international trade agreement or burdens or restricts U.S. commerce.

Many domestic industries have been thoroughly dissatisfied with the administration of the Section 301 statutes, claiming that negotiations are endless and that the United States will not retaliate. This means that foreign governments view us as "paper tigers" and are not likely to take meaningful action to correct the problem. A case in point is the long-standing dispute with Japan regarding that country's quotas on leather products.

Do you think it appropriate for the U.S. Trade Representative to recommend that the President retaliate against illegal actions under Section 301 when the situation warrants it? Will the situation ever warrant retaliation?

Answer: Section 301 is intended to provide the President with leverage to assist him in negotiating an end to unfair trade practices of other governments. Section 301 works effectively when the threat of retaliatory action under Section 301 is sufficient to bring about an end to an unfair trade practice. Retaliation is not the preferred result of a Section 301 case; in fact retaliation is only considered when U.S. negotiations have failed. It must be recognized that a retaliatory measure rarely benefits the petitioner in the case, especially if the unfair practice is a barrier to U.S. exports rather than unfair imports. Moreover, there is always a risk of counter-retaliation which can harm other U.S. industries. This does not mean that retaliation is not appropriate in certain situations. It simply means that retaliation and its attendant risks must be carefully considered before action is taken. The threat of retaliation will not be credible, and 301 cannot work effectively, unless other countries are convinced of the President's willingness to use this tool. Therefore, I believe it is appropriate to recommend retaliatory action under Section 301 when 1) an unfair practice has been found; 2) the foreign government is unwilling to negotiate a solution; and 3) the risks of retaliating (escalation of the trade dispute) do not outweigh the risks of inaction (i.e., with respect to the credibility of 301).

Under the circumstances outlined above, I would not hesitate to recommend that the President use 301 retaliatory authority. I would also point out that such authority has been used--as reflected in the President's recent decision to impose substantial tariff increases on EC pasta imports pursuant to Sec. 301 as a response to the EC's discriminatory tariff treatment of citrus imports from the U.S.

Senator Heinz: 11

Question: The United States and Israel recently concluded an agreement for a free-trade area arrangement. Is it your intention as U.S. Trade Representative to proceed with similar bilateral agreements, for example with Canada and the ASEAN countries? What do you think is the impact of such bilateral negotiations on the multilateral trading system?

Answer: I met last week with the Canadian Trade Minister, James Kelleher, at which time he reported on his government's ongoing review of a Canadian initiative for freer bilateral trade. The Minister has recently concluded an extensive round of consultations with the private sector and the provinces. Apparently the Minister is finding little opposition in the private sector to the concept of freer trade with the United States. On May 28, the trade ministers from the ten Canadian provinces agreed that there is an urgent need for a comprehensive trade agreement with our government.

Minister Kelleher intends to request from the Canadian Cabinet this week preliminary approval to explore a comprehensive trade agreement with the United States. If, as expected the Cabinet approves the recommendation, Minister Kelleher will use the summer to develop the elements for such a negotiation. By early fall, he would hope to have a negotiating mandate from his government.

I informed the Minister that I conceptually support a comprehensive approach. However, I want to consult closely with both the U.S. Congress and our private sector before responding formally to any specifics of a Canadian initiative.

Very preliminary discussions on bilateral trade liberalization were held with ASEAN (Singapore, Malaysia, Thailand, Philippines, Indonesia and Brunei) during the past year. At the moment, both sides are deciding how best to proceed. We are not now negotiating with any country nor would we do so without following the process contemplated by the 1984 Trade Act.

Bilateral negotiations leading to free trade areas can have a beneficial effect on the trading system by expanding international trade, promoting greater economic growth and improved productivity and spurring other nations to consider the benefits of further liberalization on a multilateral basis in the GATT. This type of negotiation is GATT consistent under Article XXIV, which allows nations to establish free trade areas. These negotiations are not a departure from our commitment to unconditional MFN, which remains a fundamental aspect of our overall trade policy.

Senator Heinz: 12

Question: This Administration is clearly heading towards the opening of a new round of trade negotiations. It has been said in the 1985 Council of Economic Advisors Report to the President that the only way to bring the developing countries to the negotiating table is to offer up as a sacrifice the duties on U.S. imports of such import-sensitive products as footwear, textiles and apparel. Are you willing to enter into a new round under these circumstances, and offer to reduce tariffs on products of U.S. industries which are in a heap of trouble already because of import competition?

Answer: No, I am not willing to enter a new round under the circumstances you describe. I believe that the advantages offered by a new round of trade negotiations are sufficiently compelling that all nations, including the developing countries, will perceive that it is in their own self-interest to participate. Therefore, I don't believe there should be any question of the U.S. offering concessions to bring other countries to the negotiating table.

Each participating country will be at liberty to promote its own objectives in the new round and we, of course, will have quite a comprehensive agenda to pursue. The business of the negotiations will be to sort out these sometimes conflicting objectives and to arrive at a package that will benefit all participants.

I should point out that I see the main objective of the new trade round as restoring the credibility of the international trading system embodied in the GATT, which is now in a state of disrepair. This central objective is in the long-run interest of all countries. In my view, some of the major areas that need to be addressed are the following:

1. Dispute Settlement. We need to establish an effective procedure so as to ensure that agreed international trading rules are fully complied with.

2. Agriculture. GATT rules for the agricultural sector are woefully inadequate -- especially with respect to export subsidies. We need to bring agricultural trade into the GATT.

3. Improvement of the GATT Codes. We need international disciplines which will minimize the impact of non-tariff barriers and distortions to trade. Thus, we need to strengthen and improve the existing codes (e.g., subsidies, standards, government procurement) and we need to develop an effective new code on safeguards.

4. Services. There are currently no international rules governing trade in services. A framework of international rights and obligations must be established to facilitate this increasingly important component of international trade.

Senator Long:

Question:

(1) What is to keep Korean companies from bidding on and winning contracts that, if fulfilled, will result in their exporting more steel to the United States in a given period than is contemplated in the bilateral U.S.-Korean agreement on steel products?

(2) Please describe the mechanism for enforcing the limits provided for in the agreement in cases where Korean companies bid on and eventually export steel in excess of limits included within the agreement.

Answer:

The agreement provides for strict and precise monitoring of all Korean exports by the Korean and U.S. Governments. First, the Korean Government is required to license steel to be exported from Korea. Licenses can not exceed the ceilings established in the VRA. Given the demands by Korean producers for attaining these licenses, they would normally be issued well in advance of actual exportations. The Korean Government must supply the Department of Commerce with a listing of all such licenses issued on a quarterly basis. No steel can be exported from Korea to the United States without such a license. Further, the agreement provides that such export licenses should be issued in such a way so that no more than 60 per cent of allowable exports can be shipped in any two consecutive quarters. If Commerce were to find that licenses have been issued that exceed the amounts in the VRA, it has the authority to instruct Customs to deny entry of the excessive shipments. Section 805 of the Trade and Tariff Act of 1984 provides the authorization for such enforcement.

Secondly, each steel shipment from Korea to the U.S. must be accompanied by an export certificate which reflects that portion of the authorized license that is being utilized. The Korean Government will also keep detailed records of all such certificates utilized. U.S. Customs will only permit entry of Korean steel that is accompanied by a valid export certificate stamped by Korean customs officials. As the shipment enters the United States, U.S. Customs transmits the certificate to Commerce. In this way, Commerce can further monitor the entry of all Korean steel imports. On a quarterly basis, U.S. and Korean officials will make comparisons of these certificates to ensure that no fraudulent entries have occurred.

Thus, the Korean Government has the responsibility to ensure that their steel exporters do not exceed agreed upon restraint levels. Given the data exchanges between the two governments, however, Commerce will also know if any excess authorization for shipments, or unauthorized shipments, have been made well before the imported steel arrives in the United States. If this is discovered, Customs will be directed to deny entry. If for some reason an

excess amount of steel is imported before discovered by Commerce, an identical offsetting reduction will be made in the subsequent year's allocation.

This export license/certification system has been utilized for over the past two years in the Administration of the U.S.-EC Steel Arrangement. This system has worked remarkably well in a much more diversified and heterogeneous environment than Korea's. Given this experience, we are confident that this approach will work satisfactorily with Korea and other countries with whom we've concluded steel agreements.

Senator Bradley: 1

QUESTION: The June 21 meeting of the Group of 10 finance ministers, to which you refer in your written testimony, publicized the recommendation that the IMF should oversee the macroeconomic policies of the major trading countries. Do you believe that such oversight could ever be effective in coordinating sovereign nations' macroeconomic policies? Is this recommendation enough?

ANSWER: I believe that the enhanced IMF surveillance recommended in the G-10 report would be helpful in promoting a better coordination of national economic policies. Such surveillance will not by itself change such policies, however. What is needed, in my view, is political commitment by the major trading countries to domestic policies which will foster sustainable noninflationary growth and a willingness to take into account the international implications of domestic policies.

A stronger oversight role for the IMF, along with the more intensive consultations on domestic macroeconomic policies recommended in the G-10 report, would provide one important tool in building such a commitment. But we need to seize every opportunity, bilaterally and multilaterally, to strengthen an international consensus for sounder and better coordinated policies and, in order to be credible, we need to take the necessary steps to remedy the shortcomings in our policies -- in particular, the budget deficit.

Senator Bradley: 2

Question: Given your commitment to international trade, what priority do you attach to trade adjustment policies designed to help workers displaced by trade? Do you see a way to coordinate better our trade and labor policies?

Answer: I believe retraining and, sometimes, relocation assistance to workers should be a component of our effort to adjust key sectors of the U.S. economy to the prevailing conditions of international competition -- an effort that is essential to the long-term health of the U.S. economy. The Job Training Partnership Act (JTPA) provides for assistance for dislocated workers, and where our workers are being displaced because of trade problems, we should carefully consider whether effective programs can be developed under the authority of the JTPA.

At this time, I do not have any specific proposals to improve the coordination of trade and labor policies, but it is a subject that I plan to discuss thoroughly with Secretary Brock. Given his background, the prospects for close coordination of these policies is excellent.

Senator Bradley: 3

Question: Is it fair to say that agriculture is your first priority among GATT negotiating issues?

Answer: Agriculture is certainly one of the areas to which I would assign a very high priority in GATT negotiations. In terms of a new trade round, the areas which I currently regard as being of critical importance are the following:

1. Dispute Settlement. We need to establish an effective procedure so as to ensure that agreed international trading rules are fully complied with.

2. Agriculture. GATT rules for the agricultural sector are woefully inadequate -- especially with respect to export subsidies. We need to bring agricultural trade practices more fully under GATT disciplines.

3. Improvement of the GATT Codes. We need international disciplines which will minimize the impact of non-tariff barriers and distortions to trade. Thus, we need to strengthen and improve the existing codes (e.g., subsidies, standards, government procurement) and we need to develop an effective new code on safeguards.

4. Services. There are currently no international rules governing trade in services. A framework of international rights and obligations must be established to facilitate this increasingly important component of international trade.

Senator Bradley: 4

Question: You mentioned the importance of revisiting the GATT codes. How do you propose to renegotiate the GATT safeguard provisions? What should be our priorities in terms of safeguard discretion we need and discretion we might negotiate away?

Answer: I believe that it is important to establish an effective GATT discipline over all actions taken to restrain imports. As a first step, we would like to achieve an interim agreement involving the application of four "building block" principles -- transparency, surveillance, limited duration and degressivity -- to all safeguard actions taken by any Contracting Party. Such discipline would apply to both existing and new measures. Over the longer term, we would seek to establish a comprehensive agreement on all types of safeguard actions. The right of a Contracting Party to take emergency actions to protect domestic producers from injury or threat of injury caused by imports is not in question. Current U.S. procedures for granting import relief are consistent with GATT Article XIX, as well as with the principles that are under discussion. Thus, our government's discretion in taking safeguard action would not be altered in any fundamental way by the negotiation of a GATT code in safeguards.

Senator Bradley: 5

QUESTION: You also mentioned several times the erosion of the GATT dispute settlement mechanism. What authority will we need to yield to secure a more effective and responsive dispute settlement procedure at the GATT?

ANSWER: A vastly improved dispute settlement process is, in my view, essential if we are to restore the credibility of the GATT. Three major problems need to be addressed. First, the process is too slow, which means that considerable trade harm may be done before a case brings results. Second, the quality of panel decisions has not been uniformly good; ambiguous or poorly reasoned panel decisions undermine the credibility of the process. Third, compliance and enforcement have been serious problems with decisions blocked by one or more interested parties and compliance delayed. There is no question that the dispute settlement system must be improved in all three respects.

Even with such improvements, however, individual contracting parties would retain the responsibility to take any corrective actions called for by a panel decision. So, in that sense, there would be no loss of legal authority over trade policy. With a more effective dispute settlement procedure, however, a country which did not take corrective action would run the risk of GATT-sanctioned retaliation -- for example, the withdrawal of trade concessions by other GATT members. That is a risk that all major trading nations must be prepared to take if the GATT is to be effective.

Senator Bradley: 6

QUESTION: Recognizing that budget deficit reduction is going to be a long-term process, what short-term measures do you believe might bring down the value of the dollar and reduce exchange rate volatility? In particular, what policy regarding foreign exchange intervention do you think the Administration should adopt?

ANSWER: Unfortunately, I don't believe there are any short cut measures which will bring down the value of the dollar or significantly reduce exchange rate volatility. Only the implementation of sound macroeconomic policies by the United States and our major trading partners will be effective in attacking this problem. We need to reduce government spending and the size of our federal budget deficit. Other countries need to pursue policies which will yield stronger economic growth.

As for exchange market intervention, I believe that intervention can be useful only in the very limited, short-term context of countering disorderly markets. Intervention outside these parameters is ineffective in addressing the fundamental determinants of an exchange rate, counterproductive and far too costly.

Senator Pryor: 1

Question: A number of industries have been hit hard in recent years by imports. Among those is the furniture industry, which has seen imports rise over 40% in the last year alone, and 284% from 1979-1984.

In recent years one of the most difficult trade problems for the furniture industry has been the severe trade deficit with Canada. Canadian exports to the U.S. have more than doubled since 1980, while U.S. exports to Canada have actually declined. U.S. furniture exports to Canada in 1980 were $107 million, and declined to $93 million in 1984. One major cause of the problem is inequitable tariffs. U.S. furniture entering Canada faces a 16.3% levy, while Canadian furniture entering the U.S. faces duties as low as 3.1%. I understand that there will be trade negotiations occurring between the U.S. and Canada in the near future. What would you do at USTR to resolve this problem that is extremely important to over 10,000 of my constituents?

Answer: We expect that the Canadian Government will propose the initiation of discussions on a comprehensive trade agreement with the United States this fall. Over the last year, we have made it abundantly clear to the Canadian Government that we want to include the furniture sector in any future discussions of this nature. As USTR, I will continue to press for the elimination of Canadian tariffs on furniture as part of any comprehensive trade agreement with Canada.

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Senator Pryor: 2

Question: There is mounting concern within the agricultural community about growing imports of agricultural products exported from other countries with the aid of export subsidies. Present procedures for combating these imports appear to be slow and cumbersome. Would you support legislation to streamline these procedures and make them more effective against such imports?

Answer: Since the U.S. countervailing duty laws were changed in 1979, neither we nor the Department of Commerce are aware of any complaints by U.S. agricultural industries with respect to timeliness of process. If the Senator knows of any specific complaint, I would be happy to look into it. Under existing law, if the preliminary determination of subsidy is affirmative, countervailing duties are charged on merchandise entering the United States within two and one-half months of a petition being filed with the Department of Commerce.

As a part of the 1984 Trade Act, there were a number of technical changes made to the countervailing duty laws to streamline them and make them more effective. For example, special offices have been set up in the Department of Commerce and at the International Trade Commission to provide assistance to small businesses in the filing of countervailing duty petitions. Also, the paperwork requirement has been simplified and clarified and should result in a reduction in cost to private parties.

Senator Pryor: 3

Question: The export credits guarantee program is very important to the rice industry. Do you support the continuation and expansion of the export credits guarantee program? Would you support credit for Nigeria?

Answer: Yes, I support the continuation and expansion of the export credit guarantee program. The Administration in its FY 1986 budget request is seeking approval for a $5 billion GSM 102 program.

In 1984 there was an interagency decision not to advance any more CCC credit to Nigeria until it began to take steps to resolve its economic difficulties. There remain serious doubts about Nigeria's creditworthiness and for this reason I would probably not support giving CCC credit to Nigeria until we have some reasonable assumption of repayment.

Senator Pryor: 4

Question: As you know, many developing countries with huge debt obligations to U.S. Banks, such as Argentina and Brazil, are also major competitors of U.S. agriculture for international markets. Some of the exports from these countries, such as Brazilian soybean oil, are subsidized through varying exchange rates, export drawbacks, etc. Do you believe it is wrong for the U.S. Government to take action against such exports since they are from countries with large debts to U.S. Banks?

Answer: Unfair trade measures which adversely affect U.S. farmers or businessmen and violate international agreements are wrong and should be addressed, regardless of the financial obligations of the countries which employ those practices. In fact, with specific regard to Brazil, USTR is currently pursuing a Section 301 action involving Brazilian subsidies which benefit oilseed crushers.

In response to a petition filed on April 6, 1983, by the National Soybean Processors Association, USTR has charged that Brazilian subsidy practices distort international markets for soybeans and soybean products and disadvantage U.S. exporters. The U.S. requested consultations with Brazil on this matter under Article XXII of the GATT. Initial consultations were held in Geneva in November of 1983. Follow-up consultations are scheduled to be held on July 31 in Brazil. A number of changes have been implemented in Brazil's subsidy programs since the Section 301 case was initiated in 1983. The purpose of the upcoming discussions is to clarify the effects of those changes and provide the basis for evaluating the need for further action on this case.

Also, both Brazil and Argentina maintain differential export tax systems for oilseeds and oilseed products which USTR has identified as trade distorting practices. To encourage domestic processing, export taxes for oilseeds are substantially higher that those levied on oilseed products. The effect of these tax schemes is to artificially restrict exports of oilseeds and increase exports of oilseed products. U.S. oilseed processors have charged that these practices provide an unfair benefit to Argentine and Brazilian processors. We are now pursuing this matter bilaterally. USTR has raised this issue on a number of occasions with both governments and argued for an elimination or substantial narrowing of the tax differentials. High level trade talks are scheduled with both of these governments during July. Their differential export tax schemes for oilseeds and products will again be raised during those talks.

AFTER RECESS

Senator BENTSEN. Ladies and gentlemen, the hearing will come back to order.

Dr. Yeutter, in the April report of the International Monetary Fund a statement was made concerning the dollar's appreciation over the last 4 years. One of the points that I thought of particular interest was that the size of day-to-day movements in the bilateral exchange rates between these currencies and the U.S. dollar gave rise to concerns about the orderliness of exchange markets and led to substantial official intervention.

To someone with a substantial experience in the sale of agricultural commodities, and a rather unique experience in currencies, would you think it is in the national interest to try to work with other countries in trying to smooth out those kinds of fluctuations?

Dr. YEUTTER. Senator Bentsen, that is an excellent question, and it is obviously one to which I have given a lot of thought, not just in connection with this process but through the years, too. As you indicate, I have been heavily immersed in that whole arena in the Chicago Mercantile Exchange, which is for all practical purposes the only futures market for currencies and exchange rates in the world. And as you also know, the exchange does billions and billions of dollars of volume in that market every day, a lot of it from outside the United States. It is truly a global market with heavy participation from financial institutions and other business firms throughout the world.

Exchange rate volatility on a day-to-day basis is sometimes inexplicable and clearly very difficult to control in any way, because it reflects the viewpoints of thousands of people and thousands of firms and the particular motivations that they have for participating in the markets, whether they be cash or futures or options markets.

Senator BENTSEN. Doctor, because of the limitation of my time, could you summarize?

Dr. YEUTTER. Surely.

Senator BENTSEN. I got the yes, and that is what I really wanted to hear.

Dr. YEUTTER. Certainly there are some things that can be done through intervention, but not a very great deal. But it is a matter of concern.

Senator BENTSEN. Well, we ought to be trying to work at least around the edges of it with the other countries.

Dr. YEUTTER. No question about it.

Senator BENTSEN. Now, under the Trade Act of 1974, the executive branch is required to answer questions put to it on the foreign trade barriers to specific U.S. exports, or explain why it refuses to turn over such information, or get it from other governments. Now, I intend to submit to you a group of questions relating to trade barriers that I believe exist to specific U.S. export products in seven different countries. Can you undertake responding to those questions?

Dr. YEUTTER. Absolutely, and we will do them promptly, Senator Bentsen.

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Senator BENTSEN. Now, the other point that concerns me is, I think we could stipulate that the biggest problem we have is the disparity in our currencies—20, 30 percent, depending on which ones you want to choose. But even if we get back to a level playing field on currency, there are still going to be some nontariff barriers.

Dr. YEUTTER. Absolutely.

Senator BENTSEN. And in spite of all of the congressional accolades over what happened in the Tokyo Round, the primary objective was that of trying to deter nontariff barriers, trying to get rid of them; instead of that, the barriers are increasing. It is within the capabilities of GATT for an international organization to control nontariff barriers?

Dr. YEUTTER. That is a tremendously provocative and thoughtful question that is absolutely appropriate at this point in time. My simple answer would be, Yes, I believe we can do substantially better than we have so far. Can we do it perfectly? No chance, because of the creativity and imagination of governments in generating new nontariff measures. It is amazing how creative nations become when they want to impede trade. But that doesn't mean that we should stop trying, and in my judgment, Senator Bentsen, it is imperative that we try and that we improve those codes, and that we improve the enforcement of the codes.

It is not always the inadequacies of the code, Senator Bentsen, it is sometimes the inadequacies of the implementation of the codes and the enforcement, which gets back to may earlier point on dispute settlement.

So we have to work on all those fronts, and in my judgment that is a high priority, because nontariff measures are the biggest problem that we have in the world today.

Senator BENTSEN. You know, as I was met with the President's Commission on Competiveness, the Young Commission as it has popularly been known, and one of the things that was disturbing to learn was that only 5 percent of trade today really comes under GATT. Do you think we are going to be able to expand its jurisdiction and get some of these other items within the purview of GATT?

Dr. YEUTTER. Yes. I am really more optimistic, Senator Bentsen, than many people are about what we might be able to achieve with the GATT. We simply haven't had the level of leadership and the commitment of major trading partners that the GATT needs to be more effective, and obviously that is a major challenge facing me as the potential USTR, and also facing the United States as a country. We have got to get the rest of the world enthusiastic about making the GATT work; or, if we are unsuccessful in doing so, clearly we have to protect our own national interests and do it bilaterally or pluralaterally if that be necessary.

Senator BENTSEN. Thank you very much.

Senator DANFORTH. Well, as I was saying—[laughter] what changes, if any, do you recommend in U.S. trade policy?

Dr. YEUTTER. Senator Danforth, my judgment is that the basic sense of direction of this administration on trade matters is a correct one, that the overall thrust of the administration is correct, that the tilt, if you will, as between freer trade or more protective

actions is a correct one. As an administration, we have been attempting to tilt toward freer and more open trade, toward a reduction in trade barriers and an increased application of the law of comparative advantage.

So I am comfortable with the overall policy framework in which the administration has been operating and will continue to operate.

It is my judgment, however, that trade policy has lacked some coherence in recent years, not just under the present administration but under prior administrations as well. I believe it was Senator Moynihan who made the point that he didn't see much in the way of coherence except possibly in the Ford years. I would agree with that assessment. It seems to me that we have to work on coherence, and we also need to do a better job of articulating whatever our trade policy is in persuading the U.S. Congress as a constituent group and as a partner in this case, and also the general public of just where it is that we are heading and why.

My judgment is that a substantial segment of the American business community does not today understand our trade policy. I suspect the general public does not fully understand where we are heading or why. It seems to me that articulating our policy is clearly one of my immediate responsibilities. And obviously, if there has been a failure of communication in explaining our direction to this committee, I will have to spend some time on that as well.

In that regard, Senator Danforth, I plan to attempt to do something a little more formal than what has been done previously. I would like to bring back to this committee in the relatively near future for your consideration a document that will address head-on the trade policy of the United States and give us a chance to focus on both where we are headed in the multilateral arena and why, because of the possible forthcoming trade negotiations, and, more broadly, where we are heading as a nation and why over the next 3 or 4 years. I will commit to you to do that.

Senator DANFORTH. All right. Well, you have not exactly enlightened me as to what policy changes you think are in order.

Dr. YEUTTER. Well, let me be more specific if I may, Senator Danforth.

I do believe that the expressions that you have heard today from some of my old friends here in Illinois and Nebraska are reflective of what might be the most important difference in the next 2, 3, or 4 years versus the past, and that is a more aggressive representation of American interests worldwide. I do intend to do that vigorously. It is my judgment that there are times in which the United States has not taken as strong a stance on trade issues as it should have. The United States will take quite a strong stance on trade issues involving unfair trade practices in the future.

With respect to the more difficult and sensitive issues of imports flooding this country, that is one that simply requires a very careful balancing of interests. Senator Baucus mentioned the forest products question; Senator Moynihan mentioned textiles; steel, of course, fits that category.

All I can commit to in that regard, Mr. Chairman, is that I will do the best job of balancing interests and looking out for the long-term best interests of the United States that I can. I want to come out with a result in these kinds of cases that sustains the viability

of American industries while at the same time avoiding inordinately protectionist actions, and I want to come out with a total picture here that will be best for this country in the long pull.

It is hard to be much more specific than that, unless we deal with individual industry questions.

Senator DANFORTH. Senator Mitchell?

Senator MITCHELL. Thank you, Mr. Chairman.

Dr. Yeutter, I have a lengthy list of questions to ask you on three specific subjects which impact on my own State and others in important areas. Senator Baucus has already touched on timber, and I will follow up on that, as well as on textiles and footwear.

Let me deal with textiles first. Imports of textiles and apparel products have increased almost 70 percent in the last 2 years and now account for $16 billion of this Nation's merchandise trade deficit. And this has occurred in spite of an existing regimen to control world trade in textile and apparel products—the Multifiber Arrangement of 1981 that was intended to limit import growth to 6 percent a year. It has also occurred in spite of a specific commitment given by then-Presidential candidate Ronald Reagan to limit import growth to the growth in the domestic textile and apparel markets, a commitment which was reaffirmed in 1981 and again in 1983. And yet, import growth in the textile and apparel industry continues at what are really fantastic rates of 25 percent in 1983 and 32 percent last year.

I have two questions for you. Why, in your judgment, has the current multifiber arrangement been so ineffective in accomplishing its objectives? And second, what can you as the U.S. Trade Representative do to help deal with this problem?

Dr. YEUTTER. First of all with respect to the effectiveness of the MFA, clearly during the past couple of years we have had very, very high levels of import growth. I assume that your statistics are correct, Senator Mitchell, and I appreciate and understand that.

Senator Moynihan sunmmarized it very effectively by saying that what has happened is that the efficient textile producers in the United States are being hurt by the very strong dollar here and the weak currencies abroad, which has subjected their products to enormous competition, and the inefficient textile producers are being hurt by everything. And that is what we have experienced over the past couple of years.

Now, the MFA has not been able to deal with that in the way that the domestic industry would like, of course, and that has stimulated intensive expressions of concern to all of you from your constituents.

Why is it ineffective? Well, one reason it has been unable to deal with the import growth is that the MFA has not covered all imports. There have been a lot of bilateral agreements negotiated over the last few years, I believe about 300 of them; but it is still not all-inclusive, and as long as it is something less than all-inclusive there is inevitably going to be some leakage coming in from a variety of sources.

As you know, a year or two ago there was some circumvention by countries moving products through other nations into the United States in order to take advantage of the quotas that might have been otherwise unused. That circumvention problem I am

told is under control now and is not likely to emerge in the future, at least we hope it doesn't, unless somebody else has other imaginative ways to achieve circumvention.

And there may be other reasons, too, that the MFA has not been able to constrain the growth of imports.

What can we do about it? Clearly, that is a negotiating question. As I indicated to Senator Moynihan, we do need to avoid leakage. If we are going to have an agreement like the MFA, it ought to work, and it ought to be tight. And some of us philosophically might prefer that we not have to depend upon an MFA at all; but that is not the real world in which we live.

I will simply say to you that, with respect to that agreement, steel or anything else, if we are going to have a system of that nature that deals with a particular product catagory, we ought to have a good system—good in the sense that it achieves the objectives that we have articulated for it. And in my judgment it is incumbent upon us to negotiate an extension of the MFA that deals with some of the shortcomings that you have eludicated.

Senator MITCHELL. Mr. Chairman, I don't know what your intention is, but I would like to express my hope that we can continue as long as there are Senators who have questions.

Senator DANFORTH. Right. I have a number of questions myself.

Senator Baucus is next, I believe.

Senator BAUCUS. Thank you, Mr. Chairman.

Dr. Yeutter, in response to Senator Danforth's question, basically I heard you mention two things that I could begin to sink my teeth into—one is greater coherence, and the other is that you would perhaps be a little more aggressive: What does that mean? What do you mean by "more coherence"? But more importantly, what do you mean by being "more aggressive"? Are you willing to retaliate? Are you willing to impose surcharges or tariff barriers? What do you mean by being more aggressive?

Dr. YEUTTER. Well, as you know, it is not what I will be able to do, because this is a Presidential decision when those kinds of actions are taken. But I will certainly be an advocate for an aggressive course with the administration and to President Reagan when I believe the United States has been unfairly dealt with in the international sphere.

In my judgment, Senator Baucus, there have been many examples over the past 20 years in which the United States has turned the other cheek to trade practices that were simply reprehensible.

Senator BAUCUS. Can you give me one example and explain what you would have recommended?

Dr. YEUTTER. Just using agriculture as an example, I would have acted in response to export subsidies of other agricultural producers long ago. Now, there has to be a persuasive case built to take actions in the export subsidy area, and the GATT rules are very ineffective in that area; but I would have certainly entertained 301 cases in some of the export subsidy situations and brought them to a conclusion that would have required action by the United States to neutralize those subsidies rather than give up market share.

There are a good many other examples, as well.

Senator BAUCUS. Should we increase our PIK bonus program?

Dr. YEUTTER. Well, there are a variety of ways, of course, in which one can respond to that, including taking action if we deem it appropriate and legal, against the export products of those nations coming into the United States. So it doesn't have to be an export PIC; it can be through other means as well.

Senator BAUCUS. What assurances do you have from the White House not only that you will be able to make recommendations but that the administration will, if not entirely agree, at least be more forthcoming in developing a trade policy and being more aggressive on behalf of the United States?

Dr. YEUTTER. Well, no assurances, Senator Baucus, in terms of outcome in any of these situations. That would be inappropriate, because no one should prejudge an individual case situation. We have to be fair with our trading partners, and we have to properly balance interests within our own domestic economies of consumers and producers and those who have a stake in trade issues that are always complicated, always have tradeoffs, always require balance. And certainly any major trade issue is going to have people on opposite sides of the case in terms of final recommendations.

Senator BAUCUS. Sure.

If the dollar doesn't come down substantially in a gradual way so that the bottom doesn't fall out, but if instead the dollar stays high in comparison with other countries' currencies over an extended period, what might you recommend we do?

Dr. YEUTTER. Well, if the dollar continues high for a long period of time, as it may, then our problem goes way beyond trade barriers. We should continue to deal with the trade barrier question, but that is not likely to solve the problems of American agriculture, for example, if everybody in the world reduced their trade barriers.

Senator BAUCUS. I understand. I am addressing the dollar.

Dr. YEUTTER. Exactly.

Senator BAUCUS. What about the dollar? If the dollar stays high, what do we do?

Dr. YEUTTER. Well, clearly, the principal action we can take on the dollar, Senator Baucus, is one involving dealing with the Federal deficit. That is the key.

Senator BAUCUS. Everybody says that. And because everybody says it, I have a hunch that that is not as much of a solution as we think. There is a paradox operating here. A lot of analysts think the dollar is high because of the safe-haven theory—that is, that the United States is perceived as a safe haven—somewhat independent of real interest rates the United States but still——

Dr. YEUTTER. Yes.

Senator BAUCUS. Now, if the budget deficit is resolved, paradoxically somebody could argue, Well, it's an even safer haven in the United States because we are getting our house in order, and therefore the dollar will not come down.

Now, the fact of the matter is, even with declining interest rates, we are not seeing the dollar come down. So that tends to substantiate the theory that I have just enunciated.

Dr. YEUTTER. You are absolutely right.

Senator BAUCUS. So is the only solution the budget deficit in your view?

Dr. YEUTTER. Well, in my judgment that is key, but your caution is correct in that there is no guarantees that the dollar is going to come down immediately after we take effective action on the budget—one, because there may be a lagtime even if it does come down; second, the safe haven factor could overwhelm it, depending upon the world situation at that particular point in time.

Let me make one additional point here, though, Senator Baucus, that we haven't touched on at all today:

I really think that one of the things that a lot of American business firms have to do is learn how to sell in the face of the strong dollar. Now, that is very difficult to do if you are in the commodity business, if you are selling wheat, because wheat is wheat, basically. And one of the shortcomings of our whole export picture is that we are marketing a lot of commodities, not just in the agricultural area, but in the nonagricultural area as well that are basically generic, where we don't have product differentiation.

Maybe we have to change our marketing patterns internationally in that regard. Japan, for example, is doing a much better job of that than we are in their international marketing endeavors. We are still, by and large, commodity exporters, and that puts us at an enormous disadvantage when we are in this kind of economic environment.

Senator BAUCUS. I don't understand. What should we be doing if not exporting?

Dr. YEUTTER. Well, my basic point, Senator Baucus, is that if you are in what I call the commodity business, the determining factor in sales is simply price, and we are being priced out of the market because of the strong dollar.

If we had some product differentiation in there that would say this American company has a higher quality product or better service than its competitors, then maybe we could charge a higher price and sell the product anyway. We are not doing very much of that.

Senator BAUCUS. Are you saying that such differentiation could make up for the dollar differential?

Dr. YEUTTER. In some cases. High technology is an example, but there are a lot of others. Processed food products, for example; we can be selling value-added processed food products if we can penetrate other markets and sell on the basis of brand names, or quality, or whatever the differentiating factor may be.

Senator BAUCUS. Well, it may be that the dollar will come down for a reason we don't like. About an hour ago the budget conference broke up, without a budget. And I suspect in the short term that is going to mean the stock market is going to decline a little bit, and maybe foreign investors will lose some confidence in America, and we'll see the dollar come down some.

Dr. YEUTTER. Well, certainly investor confidence is a major factor, Senator Baucus. If yoy talk to people around the world as I have done you will find a high level of confidence in the United States at this point, and that is one of the reasons that all of this capital is flowing into this country. They have more confidence in us than we have in ourselves, and that is reflected in the dollar.

Senator BAUCUS. It is human nature. The Japanese are that way, too. They think their country is going down the drain, if you talk to them.

Dr. YEUTTER. That's true. Exactly.

Senator DANFORTH. Do you have more questions?

Senator BAUCUS. No.

Senator DANFORTH. Let me ask you this, Dr. Yeutter: Do you have any suggestions for how to open up Japanese markets?

Dr. YEUTTER. The United States-Japan relationship, Senator Danforth, is obviously an extremely important one. As you know very well, it is the second most important economic power in the Western World and a major trading partner of ours, second only to Canada as an individual nation.

We have major challenges ahead of us in that relationship. You have been personally immersed in a lot of those, and properly so, and have given a lot of leadership in that particular area. You understand the differences very, well.

I know the Japanese culture reasonably well. I am not sure that any American fully understands that culture, because it is much different from ours; but I have worked a lot with the Japanese, spent a substantial amount of time there, and so I believe I understand it at least reasonably well.

I intend to spend a substantial amount of time right away on strategy for dealing with United States-Japan trade issues, and I will coordinate closely with you and others in both the Senate Finance Committee and the House Ways and Means Committee on that strategy because it is so important and it is so timely.

I am concerned that the level of rhetoric has become increasingly harsh—in my judgment, inordinately harsh on both sides of the ocean—and I see that as now having a negative impact on opening up Japanese markets.

There have been statements in the press just this last week that Japan is now giving serious consideration, because of all the critical comments, to restraining its exports to the United States and elsewhere in the world, rather than opening its import markets further. That would be a tragic mistake, it would not be greeted with any enthusiasm by you or your colleagues here at the committee, and it would not be greeted with any enthusiasm by me or my colleagues in the administration. We do not want to shut down—or I at least do not want to shut down—Japanese exports into the United States; I want to open up Japanese markets to U.S exporters.

We must have a strategy that will achieve that objective if we are not to have a major head-on confrontation between our two nations on trade issues, both at the level of the administration and here on Capitol Hill.

When I am in Japan in August, I will certainly deliver that message to high level Japanese officials, and they will hear that message from my testimony today as well.

Japan's relationship, not only with the United States, but also with all their other major trading partners is one that is highly export-dependent. However, Japan simply cannot expect to have its cake and eat it too, that is, to have immense volumes of exports and essentially no imports.

Japan is a tremendously productive, efficient economy, and certainly they are deserving of accolades for what they have achieved in competitiveness and productivity. They are tremendous export competitors. But Japan must also become an importing nation if it wishes to participate in the family of nations from an economic viewpoint.

Senator DANFORTH. Senator Mitchell, why don't you just proceed ahead with your questions. I have a lot of questions, too, but I am going to be here until the end; so why don't you take your line of questions now?

Senator MITCHELL. Thank you very much, Mr. Chairman. I don't want to unnecessarily detain you, but I do have a number of questions I would like to ask.

Senator DANFORTH. Go right ahead.

Senator MITCHELL. Dr. Yeutter, as you will recall, the last question I asked, in fact the only one I asked, was about the multifiber arrangement and textiles. Let me resume with that, if I might.

Do you yet know, have you decided, what will be the U.S. Trade Representative's position on the renegotiation of the multifiber arrangement next year?

Dr. YEUTTER. No, Senator Mitchell, simply because I have not been officially onboard yet. We will soon name a new textile negotiator, as you probably know, and clearly we need to confer there and in the interagency process before making that decision.

Senator MITCHELL. Right. I would hope, Dr. Yeutter, as you do, that you will consult closely with interested Members of Congress and with the industry, so that we might work together to develop an American position that accomplishes the objectives of the arrangement in a way that has not occurred over the past 4 years.

Dr. YEUTTER. By all means.

Senator MITCHELL. In that same area, you mentioned briefly in your previous answer the problem of circumvention, and that of course the current arrangement does not cover all imports. Now, one of the reasons for that is that many foreign producers of textile and apparel products are blending fibers, such as ramie and linen with cotton, in a manner as to exclude the resulting products from coverage under the multifiber arrangement. I am informed by one industry source that 10 million dozen garments of these various blends—uncovered blends, you might call them—were imported in 1984 representing a 400-percent increase in imports of these garments over the level of 1982.

My question is: Are you aware of this? And so you believe something should be done about it? What is it that you intend to do about it?

Dr. YEUTTER. This is one element of that major question that I was not familiar with, Senator Mitchell, but I will be glad to examine it and confer with you when I am up to speed.

Senator MITCHELL. Thank you very much; I look forward to that. It is a very serious problem.

I would like to turn now, if I might, to the second subject area, which I mentioned in my opening comment, and that is footwear.

As you know from our private discussion earlier today, and since you have some familiarity with the subject in any event, the President will soon receive a recommendation by the International

Trade Commission that action be taken under section 201 to control the flood of imported footwear now entering this country. The ITC took this action to enforce our trade laws in light of the clear injury which imports are causing the domestic industry. The ITC decision on injury was unanimous, and the facts of course tell the story—imports have now claimed about three-fourths of the domestic footwear market, up from 50 percent just 3 years ago. In 1984, 95 American footwear-producing factories closed, and unemployment in that industry is now at 19 percent.

Now, as the U.S. Trade Representative, you will be called upon to advise the President on whether to accept, modify, or reject the ITC's recommendation.

Would you share with us, if you can, first any opinion you might have of the Commission's recommendations? And, if as I suspect your answer will be, you do not yet have an opinion, how do you propose to proceed to consider this matter in preparation for your recommendation to the President?

Dr. YEUTTER. I am very familiar with the footwear situation, Senator Mitchell, because that was an issue already when I was Deputy STR in the mid-seventies. So that is a longstanding problem.

I am generally familiar with the case that has proceeded through the U.S. International Trade Commission, and I can say to you that USTR has already begun the interagency process that will lead to an ultimate recommendation. So, clearly, that will cross my desk within the next few weeks.

Senator MITCHELL. Well, I would point out to you that, since the present section 201 escape clause took effect some 10 years ago, there have been 54 industries which have petitioned for relief under the statute. Of that number, 12 have received some form of relief. I think that indicates that the statute does not represent an effective mechanism for responding to injurious import competition, and I hope that you will consider, in your position, that there is a legitimate national interest in maintaining the viability of American manufacturing industries.

Dr. YEUTTER. Well, I would say half facetiously, Senator Mitchell, that maybe it also represents the fact that the petitioners haven't been very persuasive. But clearly, whatever has transpired in the past is not of any relevance at the moment, and certainly I will give that case or any other 201 case careful, deliberate, and a comprehensive evaluation.

I would simply add, Senator Mitchell, that I do not want to see our manufacturing base destroyed anymore than anyone else does.

Senator MITCHELL. Yes.

As a digression, Dr. Yeutter, that is one of the most significant implications of your position.

At the turn of the last century, the dominant economic, political, and military nation in the world was Great Britain. Fifty years is a long time in an individual's life, but in the history of nations, it is very short. And the effect of our current trade policies is to induce the deindustrialization of America; it may not be their intention, but that is plainly emerging as a clear effect. I think that is something that you must consider.

Dr. YEUTTER. If I can just make one quick comment to that, we certainly have gone through deindustrialization in some areas; we have growth in other areas, too, of course, Senator Mitchell.

But I just want to make the philosophical comment that, our industries, and particularly labor-intensive industries, that have gone into decline, do need to learn how to compete. Otherwise, in the long pull, you and I can't keep them in business. We can't foist that burden on the back of the American consumer or the American taxpayer, or both, forever. At some point in time, we have to tell those industries that they must compete, or their employees must shift elsewhere.

Now, if there are national security considerations involved, that is a different matter; but basically, they must learn that they cannot be dependent on Government largesse or assistance forever, and I think that is a message that all of us have to take back to them, with due compassion for the difficulties of the adjustment process.

Senator MITCHELL. Right.

With respect to the footwear industry, the ITC has recommended that import licenses be allocated through an auction system. The rationale for that is that some of the quota rent would stay here in the United States rather than be transferred abroad. Are you aware of that? If so, do you have any comments on it? And if not, would you provide such comments to me and the other members of the committee when you have had an opportunity to review that aspect of it?

Dr. YEUTTER. I would be pleased to provide comments, Senator Mitchell. I am aware of the concept; I have not evaluated it in recent years so would be happy to take another look at it.

Senator MITCHELL. I would like to turn now just briefly to lumber, since Senator Baucus has asked you questions about that already. And I will try not to be entirely repetitious, although there may be some partial duplications.

Secretary Baldrige recently stated that Canadian lumber imports is one of the priority issues for followup under the trade declaration issued by the two heads of state at the conclusion of the Shamrock Summit. He said that it's one of the top things on his agenda when he meets with Canadian trade officials from now on. Are you prepared to give that matter the same priority?

Dr. YEUTTER. Yes, sir. I have already indicated that to Senator Baucus. And as I said earlier, I will be discussing it with Minister Kelleher in a couple of weeks.

Senator MITCHELL. As we discussed earlier today, Canada and the United States currently are discussing the possibility of establishing a free trade zone between the two countries. Do you think such a zone should be created before the lumber issue is resolved, or after?

Dr. YEUTTER. Well, the lumber issue will inevitably be resolved prior to the creation of a free trade area. That is a negotiation, if it is undertaken, that will probably require several years of work. So that is a longer term proposition, but one that certainly merits our consideration.

Senator DANFORTH. What is the antecedent of that? Is it the entire negotiation, or just the lumber that you are talking about?

Dr. YEUTTER. The entire negotiation. Yes.

Clearly, the lumber issue is a short-term issue that will have to be dealt with in a timely fashion. The free trade area question is one that will require a lot of time and effort and energy before we have a definitive solution one way or another.

Senator MITCHELL. I think the question was inartfully put so he couldn't really answer it "yes."

I said, do you think it should be before or after?

Dr. YEUTTER. Before.

Senator MITCHELL. It's the right answer, however put. [Laughter.]

Dr. YEUTTER. Thank you. I'm glad we got one right answer today.

Senator DANFORTH. The question was, "Before, or after?" And the answer is, "Yes." [Laughter.]

Senator MITCHELL. I have a number of other questions, but I will submit most of them in writing.

I would like to ask you just a couple more general questions.

In the last few years since 1980, the dollar has appreciated over 50 percent against the currencies of our major trading partners. In your opinion, is the American dollar now overvalued?

Dr. YEUTTER. Well, since I have been heading the Chicago Mercantile Exchange for the last several years where currencies are traded, my answer has to be, "In the marketplace the answer is no, because it is the market that determines the value, and it is a balancing of supply and demand of dollars throughout the world." And so it is at its present equilibrium based upon the viewpoints of those who participate in the market.

If people feel it is overvalued, truly feel it is overvalued, then they could get rich very fast simply by buying other currencies and watching them go up in value.

When I suggest that to folks from time to time, they then are not so sure about the dollar being overvalued. It is the market that determines value.

Now, if one goes beyond the market situation and considers whether or not it is overvalued in terms of economic equilibrium as economists would define it, I would suppose that most economists would tell you, Senator Mitchell, that it is overvalued, and that certainly the relationship of the dollar to other currencies places our exporters at an enormous disadvantage and also puts great pressure on industries such as several of those in your State that find it difficult to compete with cheap exports due to the low value of currencies in which those exports to the United States are denominated.

So from the standpoint of trade patterns, most of us would say, whether one uses the term "overvalued" or not, certainly the United States is in a disadvantageous position in currency relationships.

Senator MITCHELL. Well, even assuming the validity of the first part of the answer, do you believe that the United States, if it is suffering severely to its disadvantage, should simply say, "Well, that's the free market; and therefore we can't do anything about it"?

Dr. YEUTTER. No, we ought to get our economic house in order, Senator Mitchell, and that really means, a first step, doing something about the Federal deficit.

Senator MITCHELL. Right.

But I mean, we are not at the point where we have to say, "This is a market function, and we can't deal with it in any way; we have to let it operate" no matter what it does to our country?

Dr. YEUTTER. That is a public policy decision, of course, both by the Congress and by the administration. And one of the reasons the market conditions are as they are is simply because we have not gotten our act together from a public policy viewpoint. The market is reflecting the fact that we have an enormous Federal deficit; very high real interest rates, and other factors, which make the dollar very strong.

So it is Government that has caused many of our difficulties. In other words, we have done this to ourselves with our own policies, both here on Capitol Hill and in the executive branch.

Senator MITCHELL. Other than dealing with the deficit, do you have a specific recommendation on anything we can do?

Dr. YEUTTER. As I said earlier, that is the key. That is step No 1. And unless we as a nation are prepared to take step No. 1, we are never going to get to steps 2, 3, or 4.

But it is just a first step in the sense that if we do a better job of controlling the Federal deficit we still have to have a response on the monetary policy side with lower rates that will then also help bring the dollar down. So it is a coordination of fiscal and monetary policies. But the monetary policy is not likely to change under the leadership of Chairman Volcker until and unless we make progress on the fiscal side.

Senator MITCHELL. Some previous administration witnesses in other contexts have pointed out to the committee the value of imports, principally their alleged effect in the constant struggle to control inflation. And some analysts have suggested that opening the floodgates to imports, taking no or little action to restrict them, is a deliberate administration policy because the immediate short-term effect is to exert a downward pressure on prices, and the principal economic policy objective of the administration is to continue to control inflation. Do you believe that to be true? Do you agree with that? Do you share that policy? Do you encourage it?

Dr. YEUTTER. Well, as a member of the private sector I obviously cannot speak for the administration at this point, so I can only give a citizen's evaluation of that issue.

My judgment, Senator Mitchell, would be that the administration would follow that basic trade policy almost irrespective of the inflation question. In other words, I do not believe that that's the primary reason that the administration has resisted import constraints in its policymaking process.

President Reagan is a free-trade oriented person; he is a market-oriented individual, always has been, I expect always will be. I share that basic orientation.

One must deal with individual issues within that context. This is not to say that I would not have made precisely the same decision on the trade cases that have come before the administration over the last 4 years. But basically my thrust and my orientation is

comparable. And it seems to me that that has been the controlling factor rather than the benefits on the inflation front of increased imports.

The administration has really done very well on the imports side, or would have done well in any case. In my judgment, the influx of imports has not been a major factor or the major factor in inflation control; it has certainly been a help.

But in my opinion, Senator Mitchell, is that the rate of inflation would have been a relatively comfortable one, even had the trade policy been somewhat different. In other words, we have had a mix of fiscal and monetary policies that have done a job of controlling inflation over the last few years compared to where we were a few years back, and I really think that basic fiscal monetary policy mix would have kept inflation down at something approximating these same levels notwithstanding the trade movements.

Senator MITCHELL. I think there are a lot of things we disagree on, Dr. Yeutter, but the one thing we don't disagree on is the importance of your job and what I believe to be your ability to deal with, and I wish you well.

I notice that Senator Matsunaga is here. I thank the chairman for his courtesy, and I will submit the rest of my questions in writing, Mr. Chairman. I will be glad to yield now back to the chairman and Senator Matsunaga.

Thank you, Dr. Yeutter, and good luck.

Dr. YEUTTER. Thank you.

Senator DANFORTH. Senator Matsunaga.

Senator MATSUNAGA. Thank you, Mr. Chairman.

Dr. Yeutter, congratulations.

Dr. YEUTTER. Thank you, Senator Matsunaga. So nice to see you.

Senator MATSUNAGA. It is good to greet you here in Washington for a change.

Dr. YEUTTER. Yes.

Senator MATSUNAGA. I am very much impressed with your background. I think your offer to serve your country in the capacity to which you have been nominated is truly commendable, considering what you have to offer and what you could attain outside of Government service.

Dr. YEUTTER. Thank you. I wish we could have this conversation in Hawaii, by the way, but that is not to be.

Senator MATSUNAGA. Yes; fortunately or unfortunately.

Well, one of the common complaints regarding the scope and enforcement of the U.S. trade laws such as the antidumping and countervailing duty statutes is that such remedies are unworkable for small businesses due to the time and cost constraints.

Do you have any suggestions either from an administrative or legislative perspective which would make our trade laws more workable and accessible for small businesses?

Dr. YEUTTER. Well, that is an excellent question, Senator Matsunaga, because obviously small firms are at a disadvantage in any kind of a dispute settlement process. Those processes are inevitably legalistic in nature, which means that there has to be a lot of legal work done by lawyers, and lawyers still charge for their time. And that being the case, it can be an expensive, time-consuming process far beyond the financial means of a small company.

What can they do about it? Or what can we do about it? My judgment is that it would be difficult to change the procedures very much. We are bound under the rules of the GATT to follow open, transparent kinds of procedures so that everyone has their say in this kind of case. I believe that is appropriate. We are insisting that the rest of the world do likewise. So it is unlikely we can make major changes in our antidumping or countervailing duty procedures.

That means that the better answer would seem to be to have the small businesses operate through trade associations or someone who can represent their interests in these cases. Now, if the case is terribly parochial involving a small company in the center of Hawaii, it may be difficult for that company to get a trade association interested in spending money on its behalf in a countervailing duty case, but that is probably about the only recourse that small firm has. Perhaps it is regrettable, but that is a realistic answer, I'm afraid.

Senator MATSUNAGA. Of course, you have referred to Hawaii, and one of the major problems in Hawaii is the plight of our sugar industry.

Dr. YEUTTER. Yes.

Senator MATSUNAGA. The major problem we face is that sugar is being dumped into the United States at a price way below what it costs the foreign countries to produce. The European Community, for example, subsidizes its sugar growers at 14 cents a pound, and the cost of producing sugar in France, for example, runs up to about 24 cents a pound, sells for 27 cents a pound, and yet they take whatever they are unable to sell and dump it in the so-called world market which finds its way into our country, selling for 4 cents a pound today.

Is there any way or do you have any ideas as to how we can prevent this dumping of sugar way below the cost of their own production? I wouldn't object if they were producing sugar at 4 cents a pound and selling it in this country for 4 cents a pound; but the cost of production is 24 cents a pound, they dump it here at 4 cents a pound, at a loss of 20 cents, subsidized to the tune of 14 cents by the Government.

What can we do to stop this sort of thing?

Dr. YEUTTER. Well, Senator Matsunaga, you have just provided another classic example of the shortcomings of the common agricultural policy, and those shortcomings apply not only to sugar but to other products as well.

The subsidized European production is a major problem in the world sugar market for precisely the reasons you have just outlined. Sugar itself is a major economic problem worldwide. The lesser developed nations, as you know, suffer even more than Hawaii does in this environment, because they are the ones who are forced to sell all their production at a price of 4 cents a pound, or thereabouts, or for all practical purposes they must do so.

Sugar is not a market of which any of us can be proud. The institutions with which we have handled the sugar marketing process are grossly inadequate. There are most unfortunate sugar production policies as well in nations or groups of nations such as the European Community.

Putting it in simpler terms, sugar is just a mess worldwide. What do we do to extricate ourselves from that situation? Well, it is going to take a lot of negotiations and discussion involving a whole host of countries, because there are so many sugar producers, and that will be an eternal problem for all of us and one in which you and I could have a lot of future discussions.

With respect to the European Community in particular, clearly, Senator Matsunaga, we ought to include sugar in all our agricultural policy discussions with the Community. Sugar is just part of a lengthy retinue of policy questions that we must discuss with the Community.

Senator MATSUNAGA. You must keep in mind this distinction between sugar and other crops, however, that sugar is an import commodity. We still import about 45 percent of our domestic needs; whereas, corn, wheat, barley, feed grains, et cetera, are all export commodities, and we export those commodities.

Dr. YEUTTER. Yes.

Senator MATSUNAGA. You will recall that in the case of oil, the OPEC nations formed a cartel back in 1973–74, and suddenly decided to raise the price of oil on which we were so dependent. At that time, we were importing only 8 percent of our domestic oil needs.

We import 45 percent of our sugar consumed domestically. Just imagine if the sugar producers, other than the United States, should form a cartel and say, "OK; we won't sell you any sugar." Well, heavens, we would have every member of the family lined up at grocery stores to buy a pound of sugar. I predicted when we repealed the old Sugar Act of 1934 in 1974, an act which had so beautifully for 40 years kept the price of sugar stable at 9 cents to 15 cents, that the price of sugar was going to jump up to 36–37 cents within 2 weeks. I was wrong; it jumped up to 67 cents a pound.

What we need to remember is that the Sugar Act, and the act that is now in force has kept the price of sugar down. It has stabilized the industry. If you read the Congressional Record, you find that the sugar program, which is not a subsidy really but a loan program——

Dr. YEUTTER. Yes.

Senator MATSUNAGA [continuing]. Which has not cost the taxpayer a single penny in all the years from 1934 to 1974. As a matter of fact, the Treasury profited $600 million over and above the cost of operating that program. Under the de la Garza program over the 2-year period, the Treasury made a profit of, approximately, $6 million; whereas, all other agricultural commodity programs have cost the taxpayer money.

Good heavens, there is a vote on the floor. Sorry.

Dr. YEUTTER. I know.

Let me just say, Senator Matsunaga, that I don't see a cartel as being a major threat here, first because I don't think the producer nations can get together and form a cartel successfully; but second, because with corn sweetener as a potential competitive product, a cartel is not going to be successful for very long.

Senator MATSUNAGA. Yes. Of course, fortunately, the corn syrup people realize that sugar must remain in business in order for them to prosper as well. As soon as the price of sugar goes down,

they will find themselves going out of business and not being able to compete. So long as we keep the price of sugar legitimately at or above the cost of production, then they are in business, too.

Dr. YEUTTER. Yes.

Senator MATSUNAGA. I have got to go to vote; but if need be, I will submit the other questions to you in writing. I may at least intimate, if no one has as yet asked any questions relative to your ideas as to how we might reduce our deficit and balance of trade, particularly with Japan——

Dr. YEUTTER. We have had a lot of discussion already on that subject, Senator Matsunaga.

Senator MATSUNAGA. Oh, you have?

Dr. YEUTTER. Yes.

Senator MATSUNAGA. I see. But I think we have to look at ourselves, too, to find out what we are doing wrong which makes others excel over and beyond what we do.

Dr. YEUTTER. I agree with you.

Senator MATSUNAGA. Well, thank you, and congratulations again. And I will commit myself: I will vote to confirm.

Dr. YEUTTER. Thank you. Very nice to see you again, Senator Matsunaga.

Mr. SANTOS. Dr. Yeutter.

Dr. YEUTTER. Yes?

Mr. SANTOS. Senator Danforth asked if you could stay here. He will be back shortly.

Dr. YEUTTER. Sure.

Senator MATSUNAGA. All right. The committee stands in recess, subject to the call of the Chair.

Dr. YEUTTER. OK.

[Whereupon, at 5:59 p.m., the hearing was recessed.]

AFTER RECESS

Senator DANFORTH. Dr. Yeutter, you have been very patient. I do have some questions for you.

I want to ask you some questions about section 301 of the Trade Act, section 301 of course providing for retaliation of offsets against unfair trade practices of other countries.

Since section 301 has been on the books it has been underutilized in the minds of some people. I think that there have only been two or three times in which there has been a retaliation under section 301.

I would like to ask you whether you equate retaliation with protectionism. Some people tend to equate it with protectionism; they say that any suggestion of retaliating against unfair trade practices is a protectionist suggestion, and that retaliation gets us into trade wars, and therefore they argue really very consistently, no matter what the issue is, against using section 301.

Other people believe that section 301 is necessary in order to keep the markets of other countries open, and if we don't utilize section 301 we are left with few if any effective ways of getting into markets that would otherwise be closed to us.

Do you feel that 301 has been underutilized, and do you equate retaliation with protectionism?

Dr. YEUTTER. I am pleased to comment on that question, Senator Danforth, because I have some strong views on section 301 and this provides an opportunity to articulate them.

I just told a U.S. businessman 3 or 4 days ago in private discussions that his firm and his industry should probably have used 301 in a particular case, and he conceded that they should have and just hadn't gotten around to doing it, and that they would have given it serious consideration.

So the first part of my answer, Senator Danforth, would be that I really believe that it has been underutilized even by industry itself in the formulation and submission of complaints, that there have been a good many cases when section 301 action or submissions by industry groups or firms would have been appropriate, and they have not availed themselves of that prerogative.

So perhaps we need some encouragement to American businesses to use this form if and when it is appropriate to do so.

I would say, too, that were the GATT dispute-settlement process more effective and satisfactory, more satisfactory to the United States, more timely, more expeditious, and more decisive, there would be much less need to have section 301 provisions in the law.

But as you heard from my earlier testimony, I have grave reservations about the efficacy of those provisions today, and until they are improved it seems to me that our alternative in this country is to use section 301 as a substitute, in a sense, for GATT dispute-settlement provisions. It is used coordinately with it.

Senator DANFORTH. Would you say that it has been underutilized in the past?

Dr. YEUTTER. Yes, sir, I really believe that it has, and neither would I equate it with protectionism. You are correct in asserting that there are people within the Government who would equate retaliation with protectionism; there are trading partners who would draw the same conclusion. And there are others in the general public, perhaps, who would unknowingly equate this kind of retaliation with protectionism. I would not.

Senator DANFORTH. I earlier asked you what you would do about opening the Japanese market, and you talked about sending Japan messages and so on.

My own view is that sending messages has very little effect, and that the credibility of any trade negotiations or efforts to open markets with Japan depends on the credibility of retaliation.

We have never used section 301 against Japan, ever. It is common knowledge that Japan does not always practice fair trade, and yet we have never used section 301. Wouldn't you agree that the efficacy of any efforts to open the Japanese market will depend on the credibility of 301 as a threat?

Dr. YEUTTER. Well, Senator Danforth, it has always seemed incongruous to me that we have had far more 301 cases filed against the European Community than we have against Japan. You are absolutely correct that we have not used it against Japan, but we have had very few submissions vis-a-vis Japan, and far more submissions vis-a-vis other nations.

But all of that put aside, it seems to me that there should be no reluctance on the part of American industry to file section 301

cases with respect to the trade practices of any nation, Japan or others.

I recognize that, at least in past years, Japan seemed to be personally affronted by any indications that a 301 case might be forthcoming. And I have often said to representatives of the Government of Japan, Senator Danforth, and I will continue to do so, that no nation should consider a section 301 case to be a personal affront. This is simply a part of the process of dealing with disputes over trade issues. And mature nations should anticipate complaints from other nations with respect to their trade practices. So I see no reason for Japan to be inordinately sensitive about a section 301 case or any other trade dispute we raise with them.

Senator DANFORTH. You have emphasized American business intiating complaints under 301. Of course, the administration can initiate 301 cases.

In the 1984 Trade Act, we attempted to put on a more systematic basis the administration's activities with respect to policing the laws of unfair trade practices, and we amended the law toward that end. The whole theory of the reciprocity title in the 1984 Trade Act was to place more initiative in the hands of the administration and give more flexibility to the administration, so that the administration would have the responsibility of keeping track of unfair trade practices, cataloging them, reporting to Congress on a regular basis, developing a plan for removing barriers to U.S exports.

Do you have any plans in the USTR? Or would you care to state what your position will be with respect to what Congress did in the 1984 Trade Act? Do you intend to address the intent of Congress seriously? Or do you intend to be dragged kicking and screaming into 301 enforcement?

Dr. YEUTTER. Well, Senator Danforth, I respond quite positively to what the Congress did in the 1984 Trade Act. I like having additional authority and additional leverage, and so I construe that as advantageous and beneficial—the more the better, from my personal standpoint.

With respect to the potential initiation of section 301 actions, I would have no hesitancy in recommending administration initiation of a section 301 case if I felt the circumstances warranted it. My personal preferences, however, would be to have the complaint come from an industry group. My general feeling being, Senator Danforth, that if nobody within American industry is sufficiently excited or disturbed by a foreign trade practice, that there is not a terribly persuasive reason why the U.S. Government should be.

Senator DANFORTH. I am going to suggest another reason why they wouldn't be perhaps as aggressive as we would hope, and that is that they have given up, that they believe it is a dry hole, "Why waste the time and effort of pushing your rights under a statute if the administration is perceived as being so passive, so resistant to the enforcement of international agreements and to the enforcement of statutes, as to just turn a deaf ear?" So it would be my hope that the administration would utilize the authority Congress gave it.

Congress did not give the administration the authority to initiate 301 cases just because we were putting loose words into the statute;

it is clearly intended by Congress that the administration has an active, not a passive, role, and in fact I think that the credibility of the system, not only from the standpoint of other countries but from the standpoint of our own agreed citizens, depends on some initiative being taken by the administration. I hope that on your watch such initiative would be taken.

Dr. YEUTTER. Well, the point you raise is a valid one, Senator Danforth. I don't know how many industries or firms have reached the conclusion that there is no hope; but if there are some out there, that clearly justifies consideration.

The other aspect that should be mentioned in that regard is that there are times when a particular firm is hesitant to bring an action or a complaint because of fear of retaliation in the Japanese market or whatever the market may be. And in those cases it likewise might be appropriate for the administration to initiate action on its own.

Senator DANFORTH. I would hope that you could give us a pretty strong commitment today that the 1984 Trade Act, the reciprocity title of the Trade Act, would be something that would receive great consideration by the USTR, and that the USTR would be committed to actually putting into effect the intent of the Congress. Congress can pass all kinds of statutes, but if the administration doesn't do anything about them, what's the use?

Dr. YEUTTER. I can do that enthusiastically, Senator Danforth.

Senator DANFORTH. Good.

Some Americans have raised the problem of industrial targeting by other countries—the protection of infant industries, the targeting of an industry for growth and exports in the future, the protection of that industry, the subsidizing of that industry.

Would you envision the use of section 301 as a way of counterbalancing this effort toward industrial targeting?

Dr. YEUTTER. At this point, Senator Danforth, I'm just not sure. I have done some thinking about the targeting question. I am just not satisfied in my own mind as to what our response as a nation should be to those kinds of practices. They are clearly troublesome in some countries. It is difficult for us to get a handle on them, identify them, quantify them, and confirm their existence in a persuasive way. It is difficult to determine what an appropriate trade response should be within the spirit of the GATT and the spirit of our own trade laws. I just do not have a definitive answer for you. That needs some more work.

Senator DANFORTH. Do you have any plans for arriving at a definitive answer?

Dr. YEUTTER. If I remember correctly, there are some studies underway on that issue within the Government right now, and I would like to digest what is generated from that.

Senator DANFORTH. I think thay have been completed.

Dr. YEUTTER. Have they been completed? OK.

Senator DANFORTH. How about using section 301 to retaliate against foreign export performance requirements that I think was expressly provided for in the 1984 act?

Dr. YEUTTER. I would have no hesitation in giving that possibility very serious consideration.

Senator DANFORTH. That is sort of a weak answer, that you wouldn't hesitate to consider it.

Dr. YEUTTER. Well, I didn't mean it to be a weak answer, Senator Danforth, but obviously we shouldn't use section 301 or retaliatory procedures if there are other ways to resolve issues. So if we can deal with the performance-requirement issue in a nonretaliatory way, obviously we should do so. If we reach a dead-end there——

Senator DANFORTH. I think, Dr. Yeutter, that our basic approach is to negotiate some more, complain, send more delegations over, and nothing happens. And I really believe that unless we at least sometimes actually enforce the law, there is no credibility. And I think that that is the stage we have reached. I mean, there are various anecdotes that come back to you, that Japan—a specific example usually cited—feels that, well, we are never going to retaliate; why take us seriously? And I believe that. I think that if you never retaliate, I think that if the referee never blows the whistle on a foul, there is no way to stop fouls.

Dr. YEUTTER. I share that, Senator Danforth, and in fact I really believe that has been one of the major shortcomings of American international trade policy for years.

We usually respond strongly with rhetoric but rarely go beyond that, and at some point in time that has to change.

I would like to make one additional point that we haven't talked about today at all, and that is: It is important that governments provide timely answers in situations like this. And one of the problems in negotiating is that negotiations can go on forever. And that doesn't help the firm or the industry that has been or is being aggrieved.

In my discussions with company representative in the private sector, this is one of their eternal frustrations with American trade policy: The idea that if they articulate a problem it takes years for the American Government to do anything, and by the time it does, the problem has long since passed them, and they are either bankrupt or they have gone on to do something else.

We simply have to be more timely in our response to the problems of American industry, and we haven't been.

Senator DANFORTH. Let me raise another credibility question with you on section 201.

Now, when an American industry is very hard-hit by imports from other countries, it has a couple of alternatives. One is that it can attempt to avail itself of section 201 of the Trade Act, that it can bring a case under 201 before the ITC, that it can seek a determination of injury; if injury is found, it can then attempt to get relief from the administration. That is playing by the rules. That is the way the law is set up. If you have a problem, that is the procedure you are supposed to follow. That's why 201 is there.

There is a second possibility, and that is to shortcut section 201, use as much political clout as you can muster, go to Congress and seek protection not through the 201 channel but through the political channel.

To the extent that 201 is not utilized, to the extent that as a matter of policy as administration views 201 utilization as protectionist, aggrieved industries are going to be pushed into the arms of the politicians.

Of course the key case before us now is the shoe case. The ITC has found injury. Clearly, if there ever has been anything clear about the intent of the Congress it is that Congress intends 201 to operate with respect to shoes. You know that from what happened in the 1984 Trade Act. And when section 201 first came into the law there was a colloquy on the floor of the Senate where the question was asked—I think Senator Long, or whoever was managing the bill—"Would this apply to the shoe industry?" And he said that he thought that was one of the industries where it would most likely apply. That was before imports reached 70 or 80 percent.

I am not going to ask you for your specific position on the shoe case now, but do you believe that the credibility of section 201 is important? Do you believe that the credibility of section 201 is in question? And do you believe that it is possible for anybody to argue with any constituent, "Don't come to the politicians, go to the ITC," if an ITC determination of injury, and if the clear legislative intent is not only creating the law but in changing the law is subsequently thwarted by the administration?

Dr. YEUTTER. Well, with respect to whether or not section 201 is operating effectively, operating as a satisfactorily responsive technique, I really can't answer that, Senator Danforth. Having been out in the private sector for the last 8 years, I just don't know whether the perception is that it has been an inadequate source of relief.

With respect to what it should be under this or any other administration, and whether it is losing credibility because it isn't, I can only say that I am disturbed that are so many legislative proposals for actions in what is really the section 201 bailiwick. That lends some credence to what may be your hypothesis that industries are displeased with the responsiveness of that provision of the law and are therefore turning to legislative solutions rather than administrative solutions to their import problems.

You apparently are in a much better position to evaluate that comparison than I am. If your hypothesis is correct that there is legitimate dissatisfaction with the operation of section 201, then clearly we, the administration, need to do something to try to restore its credibility. That does not, however, mean that we should provide relief every time a section 201 case is filed; but it does mean, where relief is justified, it should be provided.

Senator DANFORTH. At least there shouldn't be an almost religious commitment against the application of 201 remedies.

Dr. YEUTTER. No, there should not.

Senator DANFORTH. Because that really is, I think, one of my basic concerns with the administration, that with respect to section 301 and with respect to section 201 the basic position of the administration is that any relief is protectionist, that any relief raises prices, that any relief is wrong; therefore no relief; therefore, no 301, no 201; so the administration has dealt themselves out of the trade game.

Dr. YEUTTER. There should not be a knee-jerk reaction against any use of those provisions because that was not the intent of the Congress in enacting those laws. They are there for a legitimate public purpose. They do require very difficult tradeoffs, as you know, between the interest of consumers and producers and one in-

dustry and another industry. And it does seem to me that we have to make sure that the tradeoffs are made transparent and that everybody understands what they are.

So, neither should we, as I indicated, have a knee-jerk reaction the other way that protectionism is always justified.

And I would only add to that, Senator Danforth, that I have a lot more empathy for an industry that is attempting to adjust than I am for an industry that has not or is not attempting to adjust.

Senator DANFORTH. Well, I hope I can take that as good news for the shoe people.

Do you plan to get actively involved in discussions with the EC on the steel consultation products that have vastly exceeded their 1981 benchmark import levels?

Dr. YEUTTER. Without question, I will do so. We will undoubtedly have one of the Deputy STR's who will be most intimately involved in that question. But there certainly is no way that I can avoid some personal involvement and participation, and I will be pleased to provide that.

Senator DANFORTH. And if the EC refuses to enforce their industry's compliance to the agreed limits, then what?

Dr. YEUTTER. Well, that is a decision that will ultimately be a Presidential one. And I would not wish to preempt President Reagan's alternatives or options in that regard. So it is not a question that I can answer for you now. But I believe that you can tell by my expressions or viewpoints earlier today that I would not be pleased with an unsatisfactory resolution of that issue.

Senator DANFORTH. Do you think that we are doing enough in the field of telecommunications? Do you think the administration is doing enough to provide access to other markets?

Dr. YEUTTER. The administration, Senator Danforth, is working hard on that issue now, particularly in discussions with the Japanese, and there has been considerable progress made. So there is a lot of effort being devoted to that cause.

At the same time, I would have to say to you that when one observes an industry that is so highly competitive worldwide, and yet our market share worldwide is so limited, there is much progress yet to be made. Here is an area where we should be globally dominant, and where our exports simply are not expanding at the rate they should be.

That says to me that we are still facing very formidable trade barriers in a lot of portions of the world, and that we should aggressively attack those barriers.

Senator DANFORTH. Well, do you agree that AT&T divestiture had the same effect as a major unilateral trade concession by us?

Dr. YEUTTER. Without doubt, it certainly did. I have given a lot of speeches over the last few years, Senator Danforth, saying that we should not be doing anything unilaterally on the trade front. That may be an overstatement, but it seems to me that this country has been prone to take unilateral actions on the trade front that have turned out to be counterproductive, certainly in the agricultural area. But here is an example in the nonagricultural area where the same analysis applies.

Senator DANFORTH. There is something we could do about that if we wanted to.

Dr. YEUTTER. Yes, sir.

Senator DANFORTH. With respect to a new round of trade negotiations, I think as a matter of law the only time you have to come to Congress is to implement what you have got. And you have a practical problem in that the fast-track authority is about to expire.

Does the administration have plans to come to Congress, first, to ask for fast-track authority, and second, to seek some specific mandate or guidelines for the new round of trade negotiations? Or does the administration intend to do its own thing and hope for the best?

Dr. YEUTTER. Well, today I can not yet speak for the administration, Senator Danforth, so I can only provide——

Senator DANFORTH. Have you got any good rumors for us?

Dr. YEUTTER. Assuming that I will be in a position to influence that decision in a few days, I will certainly consult with this committee and the Ways and Means Committee very soon on that very point. It is imperative that we do so. We have to have a concerted effort in this area or we are not going to be successful. And that is very high on my agenda.

Senator DANFORTH. You know my view. I mean, this is not my confirmation hearing, but my view is that a new round of trade negotiations is interesting but not a particularly high priority, and that it is secondary to two other things. One is the effective enforcement of section 301, and, therefore, implementation of the 1984 act. And, second, a clear policy relating to the value of the dollar and what to do about it. But we are going to be in this picture sooner or later. We are going to be in this picture if not before the negotiations, after them. We are going to have to have the fast-track authority. So I do think that it would be well to bring us in on the take off and also consider what the administration is going to be saying about the value of the dollar and what it intends to do about it, and about the enforcement of the law with respect to interest rates.

Dr. YEUTTER. There is no question about the priority of dealing with the dollar question. I devoted a lot of attention to that issue already today, so there is no point in repeating that. And I am not sure I would assess as high a priority to section 301 as you do, but I assess a very high priority and substantial importance to it.

I would assess a higher priority to new multilateral trade negotiations than you do perhaps, Senator Danforth, for a variety of reasons some of which I would rather not articulate here today for strategic reasons. But I will certainly articulate to you very shortly.

Senator DANFORTH. I think that is about the end of the ordeal.

Dr. YEUTTER. It has not been an ordeal at all.

Senator DANFORTH. With respect to the value of the dollar, I don't know. I have always felt that we should see what happens with the budget reductions before we get into anything more artificial. But it is true that the budget conference adjourned today. That is a disaster. And if the American people want to know who is to blame for the problems in the country, blame Congress because the conference just adjourned. And it is just amazingly irresponsible.

Dr. YEUTTER. I agree, Senator, that it is tragic. That is our No. 1 economic problem at the moment. And if we do not confront it, that is most regrettable.

Senator DANFORTH. I think though that whether it is the fault of Congress or not confronting the budget deficit or whether the theory that the budget deficit does not solve the dollar value problem, one way or another the administration should be considering what it intends to do other than deficit reduction to deal with the exchange rate problem. And my hope would be that you would be a participant in those considerations and even pushing for placing the dollar value problem at a high level of concern.

Dr. YEUTTER. Well, I will clearly do so, as you can tell from my emphasis on that issue today.

Senator DANFORTH. Congratulations. We hope to get you confirmed, as far as I am concerned, right now, but we do not have the rest of the committee.

Dr. YEUTTER. Thank you, Senator Danforth. The afternoon has been a pleasure. I very much look forward to working with you.

Senator DANFORTH. Thank you.

[Whereupon, at 6:35 p.m., the hearing was concluded.]

[By direction of the chairman the following communications were made a part of the hearing record:]

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

June 24, 1985

The Honorable Bob Packwood, Chairman
Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Packwood:

In response to the request contained in your letter of June 13, 1985 I have reviewed the financial disclosure report (SF 278) and the additional financial material requested by the Committee on Finance of Clayton K. Yeutter, President Reagan's nominee for the position of United States Trade Representative. Mr. Yeutter has disclosed that he has interests in both pension and deferred compensation plans and that his dependent children are the beneficiaries of trusts which contain stock of corporations whose business interests may be affected in a direct and predictable manner by activities carried out by the Office of the United States Trade Representative. Further, Mr. Yeutter has interests in agricultural commodities and natural gas which may be the subject of negotiations carried out by this office. Because we believe Mr. Yeutter's interests and his childrens' interests in these stocks and commodities are so remote and insubstantial that they would not be likely to affect the services of Mr. Yeutter in these matters, I have advised him to consider requesting a waiver under 18 U.S.C.208(b)(1) in order that he might participate in matters which affect generally the industries or the types of commodities in which he has an interest. Mr. Yeutter has agreed that if this alternative is not deemed feasible he will take appropriate steps to divest himself of the interests in question or to recuse himself in any matter that directly and predictably affects one of these interests.

Based upon these understandings, my review of his financial material and consultations with the Office of Government Ethics, I find that Mr. Yeutter does not have any conflict of interest or other barriers to service as United States Trade Representative that would not be addressed by the alternatives discussed above.

Sincerely yours,

Claud L. Gingrich

CLAUD L. GINGRICH
General Counsel

CLB:sb

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MINORITY CONSULTANT

U.S. House of Representatives
Committee on Agriculture
Subcommittee on Conservation, Credit, and
Rural Development
Room 1301, Longworth House Office Building
Washington, DC 20515

1985 JUN 25

June 24, 1985

The Honorable Bob Packwood
Chairman, Committee on Finance
SD-219
Washington, D. C. 20510

Dear Mr. Chairman:

This letter is to give my wholehearted endorsement to the nomination of Clayton Yeutter to be the U.S. Special Trade Representative. Having worked with Clayton in numerous capacities for many years, I can recommend him both personally and professionally without qualification.

Clayton possesses the knowledge, experience, and personality to succeed in this most important and most sensitive position. Without question, he will serve with great distinction.

With kindest regards and best wishes, I am

Sincerely,

Ed Jones

Ed Jones
Chairman

EJ:bcj

1985 JUL -5 AM 11:17 1985 JUN -4 PM 1:59

ROBERT L. PETERSON, CHAIRMAN and CHIEF EXECUTIVE OFFICER

May 31, 1985

The Honorable Robert Packwood
United States Senator
257 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Packwood:

I understand that you will soon be scheduling hearings of the Senate Finance Committee to consider the nomination of Dr. Clayton Yeutter as U.S. Special Trade Representative.

The management of IBP, inc., has known Dr. Yeutter for many years and has very high regard for his character, integrity, dedication, and his administrative abilities. Dr. Yeutter has developed and maintained important relations wtihin our industry, within the U.S. government, and within foreign governments, all of which should serve him well as the Special Trade Representative.

We enthusiastically support the nomination of Dr. Yeutter to this important post.

Sincerely,

Robert L. Peterson

xc: Dr. Clayton Yeutter, President
Chicago Mercantile Exchange

Mr. Manly Molpus, President
American Meat Institute

Mr. Alan R. Middaugh, President
U.S. Meat Export Federation

IBP, inc. DAKOTA CITY, NEBRASKA 68731 TELEPHONE 402-494-2061

AMERICAN MEAT INSTITUTE
Serving The Meat Industry Since 1906

1985 JUN 13 P1 3:40

June 13, 1985

Honorable Bob Packwood
Chairman
Senate Finance Committee
United States Senate
Washington, D. C. 20510

Dear Senator Packwood:

In the near future, you will be conducting hearings of the Senate Finance Committee to consider the nomination of Dr. Clayton Yeutter as U. S. Special Trade Representative. The American Meat Institute, representing the nation's meat packing and meat processing industry, fully supports Dr. Yeutter's nomination.

Over the years, Dr. Yeutter has demonstrated his keen interest in promoting meat exports and possesses a unique insight into the problems we face. Dr. Yeutter's energy, knowledge and resourcefulness make him a uniquely well qualified candidate for this critical position.

We support Dr. Yeutter's nomination enthusiastically and will offer him our full cooperation in working with the trade office to enhance our export opportunities.

Sincerely,

Manly Molpus

C. Manly Molpus
President

CMM/bar

P.O. Box 3556, Washington, D.C. 20007 • 1700 North Moore Street, Arlington, VA 22209 • 703/841-2400